

DRAFT ANNUAL REPORT 2009/2010



Annual Report 2009/2010

Table of Contents

	Pages
Chapter 1	
Introduction and Overview.....	3-28
City of uMhlathuze at a Glance	
City Mayor's Foreword	
Acting City Manager's Report	
Political Leadership	
Key Information and Demographic Data	
Chapter 2	
Annual Performance Report	29-45
Framework and background	
Table 1 – Organisational Performance Scoreboard 2009/2010	
Table 2 –Seven National Key Performance Indicators (GKPI's / NKPI's)	
Chapter 3	
Human Resource and Other Organisational Management....	46- 142
Department of Corporate Services	
Department of Financial Services	
Department of City Development	
Department of Infrastructure and Technical Services	
Department of Community Services	
Chapter 4	
Audit Committee Report.....	143-149
Chapter 5	
Audited Financial Statements.....	150-224
Report of the Auditor General	
Statement of the Municipal Managers Responsibility	
Statement of Financial Position	
Statement of Financial Performance	
Statement of Changes in Net Assets	
Cash Flow Statement	
Accounting Policies	
Notes to the Annual Financial Statements	
Appendix A : Schedule of External Loans	
Appendix B : Analysis of Property, Plant and Equipment	
Appendix C : Segmental Analysis of Property, Plant and Equipment	
Appendix D : Segmental Statement of Financial Performance	
Appendix E (1) : Actual Versus Budget (Revenue and Expenditure)	
Appendix E (2) : Actual Versus Budget (Acquisition of Property Plant and Equipment)	
Appendix F : Disclosures of Grants and Subsidies in terms of Municipal Finance Management Act	
Management Comments on Audit report	

CHAPTER 1

INTRODUCTION AND OVERVIEW



City of uMhlathuze at a glance

Vision

“The City of uMhlathuze, as a port city, will offer improved quality of life for all its citizens through sustainable development. It will be a renowned centre for trade, tourism and nature-lovers, coastal recreation, commerce, industry, forestry and agriculture.”

Mission

“To develop uMhlathuze as the industrial, commercial and administrative centre within the natural beauty of the region, providing a range of efficient municipal services thereby ensuring economic development, dynamic growth and the improvement of the quality of life for all.”

Overview of the Municipality

The City of uMhlathuze is a strategically placed , on the north-east cost of KwaZulu-Natal, South Africa. Like most coastal cities of the world, uMhlathuze enjoys the best of all worlds. It is home to the country’s largest deep-water port and enjoys the associated economic spin-offs as well as a diverse natural environment.

The City of uMhlathuze is a progressive municipality, which appreciates the need to achieve a successful balance and synergy between industry, its rich environmental assets and the community.

uMhlathuze Municipality was established on 5 December 2000 after the demarcation process and the local government elections of that date. As such it encompasses the towns of Empangeni, Richards Bay, eSikhaleni, Ngwelezane, eNseleni, Vulindlela and Felixton as well as the rural areas under Amakhosi Dube, Mkhwanazi, Khoza, Mbuyazi and Zungu.

The name uMhlathuze is derived from the uMhlathuze River that meanders through the municipal area and symbolically unifies the towns, suburbs and traditional areas.

According to the legend the river was strong in current and was infested with crocodiles and, therefore, could not be used by locals. The name broken up has the following meaning: Mhlathi – jaw, Mthuzi – does not chew. In other words, the uMhlathuze River was like a jaw that could not chew.

uMhlathuze Council consists of 60 councillors, of which ten are full-time and serve on the Council’s Executive Committee. The Council has adopted a portfolio committee approach and interacts with its community using the Ward Committee system.

Administratively the Municipality has almost 1 900 full-time staff members led by the Municipal Manager and his team of Senior Managers. Offices have been established in Richards Bay, Empangeni, eSikhaleni, Ngwelezane, eNseleni and Vulindlela.

This dynamic local government authority assumed city status on 21 August 2001 to place the Municipality in a stronger position to more effectively market the area – one of the country's fastest growth points.

Effective management of services and resources and the provision of services to all residents of the City, which is 796 square kilometers in extent, are challenges with which the Municipality has tackled enthusiastically. Proudly, the Municipality's developments in this regard are on track and, in many instances, ahead of national government's targets.

To put into perspective the sterling work been done to fast track service delivery, the municipal area has a water pipe infrastructure of 735.32 km in urban areas and 1 077 km in rural areas. Reservoir capacities add up to 260 mega-litres.

The length of sewer pipes in the municipal area totals 623 km. About 11 156 mega-litres of sewerage are purified annually.

The City and its management live up to its motto "Vision into Action". The number of number of accolades, which have been bestowed on the Municipality in recent years illustrates the City's progress in this regard.

City Mayor`s Foreword

Looking back on 2009/2010

The highlight of 2009/2010 was undoubtedly the hosting of the 2010 FIFA Soccer World Cup by South Africa and as a City we were extremely proud and grateful for the opportunity to provide a world-class base camp to Nigerian Super Eagles for the duration of this spectacular tournament.

Our warm Zululand hospitality, five star accommodation, restaurants and other facilities as well as our newly completed sports stadium left an indelible mark in the minds of our visitors and we look forward to our tourism industry reaping the benefit of this lasting impression in time to come. Indeed the enthusiasm and patriotism that the Soccer World Cup generated locally, nationally and internationally was a welcome diversion from the global recession that has held the world in its grasp for the past 18 months.

The year 2009-2010 was not an easy year for the City of uMhlathuze due to the global economic crisis but the Municipality showed its strength and resilience by changing patterns to accommodate the new conditions in which it found itself. The past few months have been the most turbulent months in our financial history. Negative publicity emanating from that situation had serious implications on our image as a municipality. We had a challenge of maintaining the necessary balance between expenditure, growth and reducing debt obligations. We accepted the severity of our financial situation hence were able to institute necessary changes to our financial situation.

On a positive note it bears mentioning that we once again received a clean bill of health from the Auditor-General for the 2008/2009 financial year. The audit included the appropriateness of our accounting policies so there was no way to present incorrect information during the audit.

- Service delivery

The City, true to its mandate, has been aggressive in rolling out services equally in all areas and has been able to almost eradicate major services backlogs. In addition Council has streamlined its services with those of other government departments through the launch of public information terminals, called Thusong Centres, in the areas where people live. A Local Inter-Sectoral Committee has been established to steer this project forward.

- Flagship programme

uMhlathuze Municipality recently launched the Flagship Programme, a multi-sectoral project aimed at declaring war on poverty and other social ills including HIV/AIDS. A local steering committee, championed by the Mayor, has been formed. Currently we are rolling out the “war rooms” in each ward. Wards 11 and 18 have already been profiled and war rooms launched in these areas. The Municipality is working on a report to request Council to institutionalise this programme, thereby allowing the Municipality to deploy resources.

- Capital project

The Council thanks those who have invested in the City over the past and previous years and will be doing so in the future. Most projects targeted for completion during the 2009/2010 financial year are on track, but some have been deferred to the next financial year for various reasons. Completed projects include the stadium and the University of Zululand City Campus, while East Central Arterial is nearing completion and will be a potential link between the John Ross Highway and the Richards Bay CBD.

Ongoing projects include the eSikhaleni Cemetery, the John Ross Highway upgrade, the refurbishing of rural halls, the new City Library and the Richards Bay CBD South extension, which will run over into the next financial year due to delays experienced. Meanwhile the eSikhaleni Fire Station is in the township establishment and rezoning phase and the Richards Bay Waterfront Development is in the town planning phase.

Into the future – 2010/2011

In line with the Department of Cooperative Government and Traditional Affairs (COGTA), the Municipality has developed its own municipal turnaround strategy and identified its own ten priority areas, which will need constant monitoring in terms of implementation. These priority areas are:

1. Effective cash flow management and budgeting
2. Access to reliable and sustainable basic services
3. Infrastructure asset management
4. Filling of critical essential and funded positions
5. Promote and enhance public participation
6. Overhaul of the Human Resources Policy Framework
7. Conduct a comprehensive skills audit
8. Enhance the City's contribution to job creation and sustainable livelihoods through local economic development and investment attraction
9. Strengthen relations and partnerships with key stakeholders
10. Effect Operation Clean Audit strategy.

The relationship between political office bearers and the administration is a challenge and needs to be worked on going forwards. There should be clearly defined roles for councillors and managers. Councillors are there to govern whereas managers have the professional and technical expertise to micro-manage the organisation and advise councillors. The mutual respect between these structures is extremely important. Both councillors and officials must account for their decisions and actions.

Similarly the relationship between unions and management needs to be properly managed through appropriate forums and both parties need to understand their constructive roles and inherent contradictions. What is however comforting and worth noting is the number of HR policies that have been agreed to between the unions and the employer component over the past month. These policies relate to training, recruitment, interviews, selection and succession planning, anti-nepotism as well as acting arrangements and appointment of relief staff.

- Priorities

Importantly sanitation has replaced water as the number one priority with R41 million allocated to sanitation in the budget. The City is currently providing 5 500 VIP toilets in the Dube and Mkhwanazi South Traditional Authority areas at a cost of R40,9 million. The highlight has been our sanitation flagship project in Port Durnford. This factory manufactures VIP toilet panels and further empowers youth and women through job creation.

The aggressive roll-out of water infrastructure, pipes and reservoirs has reduced the water backlog to 3,5% . The Municipality is currently completing a reservoir in the Mkhwanazi area at a cost of R21,4 million and installation of bulk water pipes for the whole area at a cost of R35,4 million. These two projects, once completed, will enable the Municipality to start installing water taps to each household. Likewise the City is working to improve human settlements and is embarking on rural housing projects in partnership with the KwaZulu-Natal Department of Human Settlements. KwaMkhwanazi, Madlebe and KwaBhejane are focus areas. In addition hostels have been refurbished to provide decent family accommodation and Umhlathuze Village Phase 5 is still ongoing.

A landmark project has been the upgrade of rural roads, which has seen over 891km of roads graded and about 70km of roads gravelled over the past two years. The construction of rural roads has changed the lives of our people. People now enjoy a taxi service for the first time in remote rural areas due to the improved condition of rural roads.

- Sustainability and future investment

You cannot run a municipality successfully without cash reserves. Just like any business, the working capital needs to be cash backed. This municipality has no reserves at this stage. For the next five years, if this Municipality is to be sustainable, it needs to build reserves. Regarding future investment and growth we need to be mindful of the Durban-Richards Bay Corridor, which is one of the major economic corridors in the country. Going forward the City needs to explore all funding possibilities to champion the corridor. The new King Shaka International Airport has economically strengthened this corridor.

The Richards Bay Airport is also an important role player in attracting investment to the City. This airport needs upgrading, looking at a possible conveyor belt service and even more facelifts. The basic aviation facilities should be there to attract even more airlines. At this point it is important to express our appreciation to our partners at the District level for their support - the uThungulu team is as intrinsically woven into our daily functions as we are in theirs. Similarly we are extremely grateful to our stakeholders and very valuable members of the community for their commitment to regular payment of services, continued support in the creation of new job opportunities, development of skills, investment in the City and investment in the people of this City. Without the support of our captains of industry and ratepayers we would not be the jewel of the North Coast of KwaZulu-Natal. This City is the powerhouse of the region north of the Uthukela River – it is still the industrial hub of KZN and still continues to strive for a better life for its people.

My almost three years in office has been fulfilling. I have gone through and faced many challenges, some of them even to the extent of directly affecting my family. To my lovely wife Pearl, and my long suffering children, without your support I would never have been able to serve the people of uMhlathuze – a task which, if I were asked to perform again, I would gladly accept knowing that I have the support of my loved ones and that I was able to persevere with both God and my family by my side.

I have no doubt that I understood the core function of local government and my role as the Mayor of this great City of uMhlathuze. I trust I have served my people well.

Councillor Zakhele Mnqayi
MAYOR OF THE CITY OF uMHLATHUZE

Acting Municipal Manager's report

In spite of the challenging times during the past financial year, in particular the global recession and the ensuing cash flow situation, the councillors and officials of uMhlathuze Municipality have worked tirelessly to ensure that we continue to meet our core mandate of service delivery to our communities to the best of our ability with our limited resources. One of the main contributing factors is our effective communication with our communities through our ongoing public participation efforts, such as the Integrated Development Plan(IDP) and budget road shows. The opportunity to openly engage with councillors and officials at this level enables communities to fully understand why the Municipality may not be able to deliver services to their satisfaction.

Effective communication has also been channelled internally and it is pleasing to note that our employees have shown great initiative and commitment towards our cost-cutting efforts regarding operational expenditure. We are blessed with a dedicated and capable team of employees, who take service delivery to heart. Our service delivery and community efforts continue to draw recognition and our most recent accolades include:

- First place in the KwaZulu-Natal Greenest Municipality Competition
- Zululand Yacht Club “Bridge Builder of the Year Award” to Mayor Zakhele Mngayi for his extraordinary efforts to build better relationships between communities in the City of uMhlathuze
- An award by the uThungulu Community Foundation in recognition of the years of support the City has given the Foundation, which is involved in community work in the Zululand region
- Blue Flag status for Alkantstrand beach
- Certificate of recognition from MEC for remaining among the top IDP achievers in the country for two consecutive years.
- Selected by the Department Cooperative Government and Traditional Affairs (COGTA) as a reference model for Urban Development Framework Guideline, accompanied by a R 3,75 million grant for an urban project

In addition it bears noting that the drinking water in the City of uMhlathuze is consistently rated among the best in the country according to the Department of Water Affairs and Forestry's drinking water quality status reports. During this financial year Council approved and implemented the re-structuring of the Municipality's organogram, which has seen the nine previous departments amalgamated into five new “cluster” departments, each headed by a Senior Manager. This process is now complete and has been achieved to increase organisational performance by improving efficiencies and avoiding duplication of services.

This significant change, and the uncertainty that change brings about, undoubtedly affected the morale of our workforce along with the national municipal strike in April 2010. However, the Soccer World Cup gave us a great opportunity to divert our focus, grow relationships and boost motivation. Indeed management has taken heed of the

Mayor's call during his State of the City Address in June and is committed to improving its relationships with political office bearers as well as organised labour.

In summary of the past financial year I can report that we have learnt our lessons and we have been properly sensitised to exercise vigilance when managing the resources at our disposal. I am confident that with the support of our employees and the commitment of our councillors we will be able to fully recover and there will be no going back. Our time has come to put uMhlathuze back on the map as one of the top municipalities in the country in terms of administration and service delivery.

Nkosinathi Nhleko
Acting Municipal Manager

Political Leadership

- Executive Committee
Chairperson – Cllr AZ Mnqayi
- Bylaws Integration Committee
Chairperson – Cllr EF Mbatha
- Standing Orders and Disciplinary Committee
Chairperson – Cllr EF Mbatha
- uMhlathuze Public Transport Liaison Committee
- uMhlathuze Transport and Taxi Liaison Forum
Chairperson – Cllr MS Mnqayi
- Community Safety Forum
Chairperson – Cllr M Lourens
- Public Participation Committee
Chairperson – Cllr EF Mbatha
- Standing Committee on Municipal Public Accounts (SCOPA)
Chairperson – RJ van Huyssteen

Committees of the Executive Committee

- Finance, Marketing, IDP and LED
Chairperson – Cllr AZ Mnqayi
- Corporate Services
Chairperson – Cllr CQ Madlopha
- Management Services and Local Labour Forum
Chairperson – Cllr M Lourens
- Civil Engineering Services
Chairperson – Cllr J Harvey
- Community Services and Health
Chairperson – Cllr MR Zikhali
- Parks, Sport and Recreation
Chairperson – Cllr NG Donda
- Community Facilitation and Housing
Chairperson – Cllr DA Nxumalo

- Electrical Engineering Services
Chairperson – Cllr JL van Zyl
- Planning and Environmental Affairs
Chairperson – Cllr NB Mzimela

Good Governance, Performance Audit and Performance Evaluation Panels

- Section 62 Appeals Committee
Chairman – Cllr A Viljoen
- Audit Committee
Chairman – Mr JH de Wet
- Performance Audit Committee
Chairman – Mr H Oosthuizen
- Performance Evaluation Panel (Heads of Department)
Cllr AZ Mnqayi, Mr H Oosthuizen, BB Biyela
- Performance Evaluation Panel (City Manager)
Cllr AZ Mnqayi, Mr H Oosthuizen, Cllr BV Mthethwa

Political Leadership

Mayor

Mnqayi, Amos Zakhele – ANC (Exco)

Deputy Mayor

Madlopha, Celiwe Qhamkile – ANC (Exco)

Speaker

Mbatha, Elphas Felokwakhe – ANC (Ward 17)

Chief Whip

Mbanjwa, Nontokozo Catherine – ANC

Councillors

Bissoondial, Rani – ANC

Buthelezi, Mdonseni Joseph – IFP

Calitz, Casper Francois – VP

Cele, Nonhlanhla Reginaldah – ANC

Dawood, Ahamed Shaik – ANC (Ward 2)

Donda, Godshero – IFP (Exco)

Dube, Emmanuel Joel Bhekithemba – ANC (Ward 10)

Fourie, Louis Christoffel Mathys – DA (Ward 3)

Fourie, Louis Wynand – DA

Gumbi, Ntombizethu Vera – ANC (Ward 19)

Gumede, Bhekinkosi Derrick – FADECO (Exco)

Gumede, Timothy Nqe – ANC (Ward 22)

Harvey, John Rex – IFP (Ward 1 and Exco)

Herbert, Delyse Monica – IFP

Hlope, Sukanini Nicholus – ANC (Ward 15)

Khoza, Fakazile Grace – IFP (Ward 5)

Khuboni, Ayanda Phiwokuhle – IFP

Khumalo, Lindani Mfundo – ANC (Ward 30)

Lourens, Manie – ANC (Exco)

Madlopha, Celiwe Qhamkile – ANC (Exco)

Madonsela, Nkosinathi Emmanuel – ANC (Ward 16)

Makathini, Mandla Tholithemba – IFP

Mbanjwa, Nontokozo Catherine – ANC

Mbatha, Elphas Felokwakhe – ANC (Ward 17)

Mbatha, Purriety Thenjiwe – ANC (Ward 12)

Mbokazi, Musawenkosi Mzonjani – ANC (Ward 21)

Mkhize, Silondile Gcinekile – ANC

Mlaba, Njabulo – IFP

Mngomezulu, Lindisipho Penuel – IFP

Mnqayi, Amos Zakhele – ANC (Exco)

Mnqayi, Mvuseni Samuel – ANC (Ward 27)

Mpungose, Virginia Rose Thandiwe – IFP (Ward 11)

Mthembu, Alice Hlebani – ANC

Mthembu, Babhekile Constance – ANC (Ward 20)

Mthembu, Blessing Mfana – ANC (Ward 14)

Mthethwa, Khethomusha Ngikhethi – IFP

Mthiyane, Bheka – ANC (Ward 18) deceased

Mthiyane, Bonguyise Muntu – ANC (Ward 13)

Mthiyane, Sipho Sizwe – ANC (Ward 18)

Mtshali, Douglas – ANC (Ward 9)

Myeni, Mbongeni Bhukumthetho – IFP

Mzimela, Nontobeko Bajabulile – ANC (Ward 25 and Exco)

Ndwandwe, George Bheki – IFP (Ward 7)

Ngobese, Ntombizotozo Doris – IFP

Nkwanyana, Raymond Zama – ANC (Ward 24)

Ntanzi, Phikelakhe Madlinyoka – ANC (Ward 28)

Ntetha, Fikile Florence – IFP

Nxumalo, Dumisani Alpha – IFP (Ward 8 and Exco)

Shandu, Mandlakayise Fofu – IFP (Ward 29)

Simmadhri, Beena – IFP

Sukreben, Kevin – ANC

Thusi, Nkosinathi Thandazani – IFP

Tshabalala, Christina Nomvula – ANC

van der Westhuizen, Johan Coenraad – IFP (Ward 23)

van Huyssteen, Rudolph Jacobus – IFP

van Zyl, Jacobus Lodewyk – IFP (Ward 26 and Exco)

Viljoen, Alen – DA (Ward 4)

Zikhali, Raphael Mduduzi – ANC (Exco)

Zulu, Shadrack Hlalecabanga – IFP (Ward 6)

Zulu, Sipho Mbongeleni – ANC

Zulu, Thembekile Lindiwe – IFP

Key Information and Demographic Data

The City of uMhlathuze is one of six local municipalities situated within the uThungulu District Council area in KwaZulu-Natal. The area comprises urban settlement, rural settlements, commercial ,rural areas, farms and nature reserves. The majority of rural settlements are located within Traditional Authority areas. The area has a deep-water port, which is connected by national roads and railway line to the economic heartland of South Africa.

Empangeni and Richards Bay are the largest towns forming part of the municipal area. eSikhaleni , Vulindlela ,Felixton, eNseleni and Vulindlela are satellite towns and are surrounded by sugar cane fields, timber plantations, wetlands and fresh water lakes.

As the last Census was conducted in 2001, users should note that attempts were made to adjust the measurements to a best estimate using information and precisions provided by Statistics South Africa.

Municipal Land area

Area	Km	%
Richards Bay	289, 9966	36,5
eNseleni	1,3325	0,2
Empangeni	28,9386	3,6
Felixton	2,7835	0,3
eSikhaleni	6,2304	0,8
Vulindlela	0,8464	0,1
Ngwelezane	3,7001	0,5
5 Traditional Authority areas, 21 rural settlements and 61 farms	462,1426	58,0
Total municipal land area	795,9707	100

Population as at 2009/10

The City of uMhlathuze has an estimated 81008 households and a total population of about 345 776.

During the past year 21 127 births were registered in the area of which 10 242 were males and 10 885 were females. Females account for 51% of the total population. The estimated population growth rate is 1,18% for males and 0,94% for females.

Life expectancy at birth is estimated at 53,3 years for males and 55,2 years for females. Infant mortality is estimated at 46,9 per 1 000 live births.

More than 40% of the residents in the municipal area reside in the non-urban (rural and Traditional Authority) areas outside Empangeni and Richards Bay, which is indicative of a densely populated rural area. More people reside in Richards Bay than Empangeni,

although Richards Bay is a younger town, indicating that this town grew at a faster rate than Empangeni.

Level of education

<i>Highest level of education attained by over 20 year olds</i>	<i>Persons</i>
<i>No schooling</i>	<i>32 921</i>
<i>Some schooling</i>	<i>34 207</i>
<i>Complete primary</i>	<i>9 075</i>
<i>Some secondary</i>	<i>60 258</i>
<i>Grade 12 / Standard 10</i>	<i>44 238</i>
<i>Higher / Tertiary education</i>	<i>16 681</i>
<i>Total</i>	<i>197 380</i>

Households

- *There are about 81008 households within the municipal area.*
- *The number of houses per geographic area are: Richards Bay 12 433, Empangeni 6 046, eSikhaleni 6 363, eNseleni 1 439, Ngwelezane 2 775 and Vulindlela 588.*
- *The respective numbers of houses in each of the other areas are unknown.*
- *These are 202 indigent households.*
- *80,9% of the total dwellings are of formal type, with 15,3% being traditional type and 3,8% informal type.*
- *64% of households own their dwelling, while 17,8% rent.*

Percentage distribution of households by type of main dwelling

House or brick structure on a separate stand or yard	66,4
Traditional dwelling / hut / structure made of traditional materials	15,2
Flat in block of flats	9,1
Town / cluster / semi-detached house (simplex: duplex: triplex)	1,9
House / flat / room in backyard	1,3
Informal dwelling / shack <ul style="list-style-type: none"> ▪ in backyard ▪ not in backyard e.g. in an informal / squatter settlement 	1,4 2,4

Percentage distribution of households by type of main dwelling (**continued**)

Room / flatlet not in backyard but on a shared property	2,2
Caravan or tent	-
Private ship / boat	-
Workers' hostel (bed / room)	0,1
Other	-
Total	100

Population groups

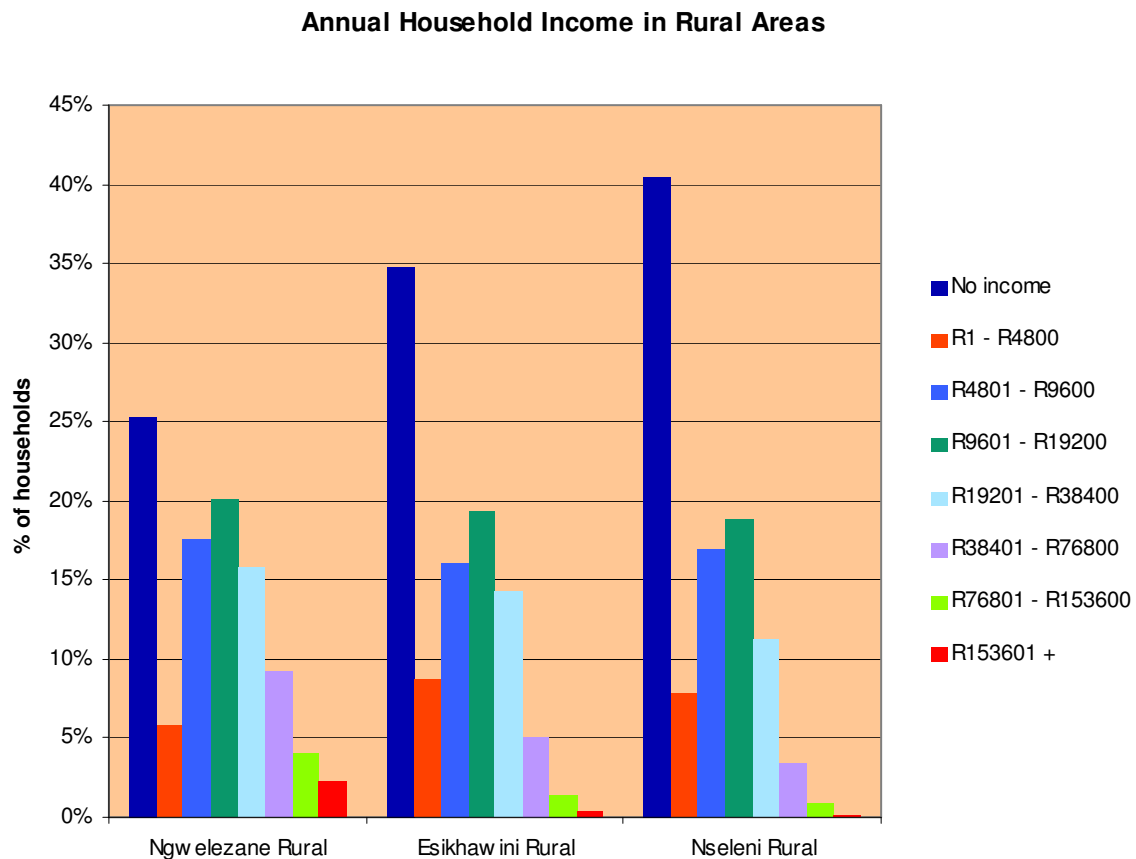
	<i>Richards Bay</i>	<i>Empangeni</i>	<i>eSikhaleni</i>	<i>eNseleni</i>	<i>Other areas</i>	<i>Total</i>	<i>% of population</i>
Black African	20 207	13 605	72 342	14 653	178 712	299 519	86,53
Coloured	2 084	471	72	29	298	2 954	0,86
Indian / Asian	10 454	1 057	120	0	71	11 702	3,38
White	21 808	9 642	7	0	144	31 601	9,14
Total	54 553	24 775	72 541	14 682	179 225	345 776	100

Population by gender and age group

<i>Age</i>	<i>Female</i>	<i>Male</i>	<i>Population (N)</i>	<i>Population (%)</i>
0 – 4 years	18028	18028	36056	10,43%
5 – 14 years	37392	36724	74116	21,43%
15 – 34 years	76192	70167	146359	42,33%
35 – 64 years	40739	39042	79781	23,07%
Over 65 years	6084	3380	9464	2,73%
<i>Total (N)</i>	178435	167341	345776	

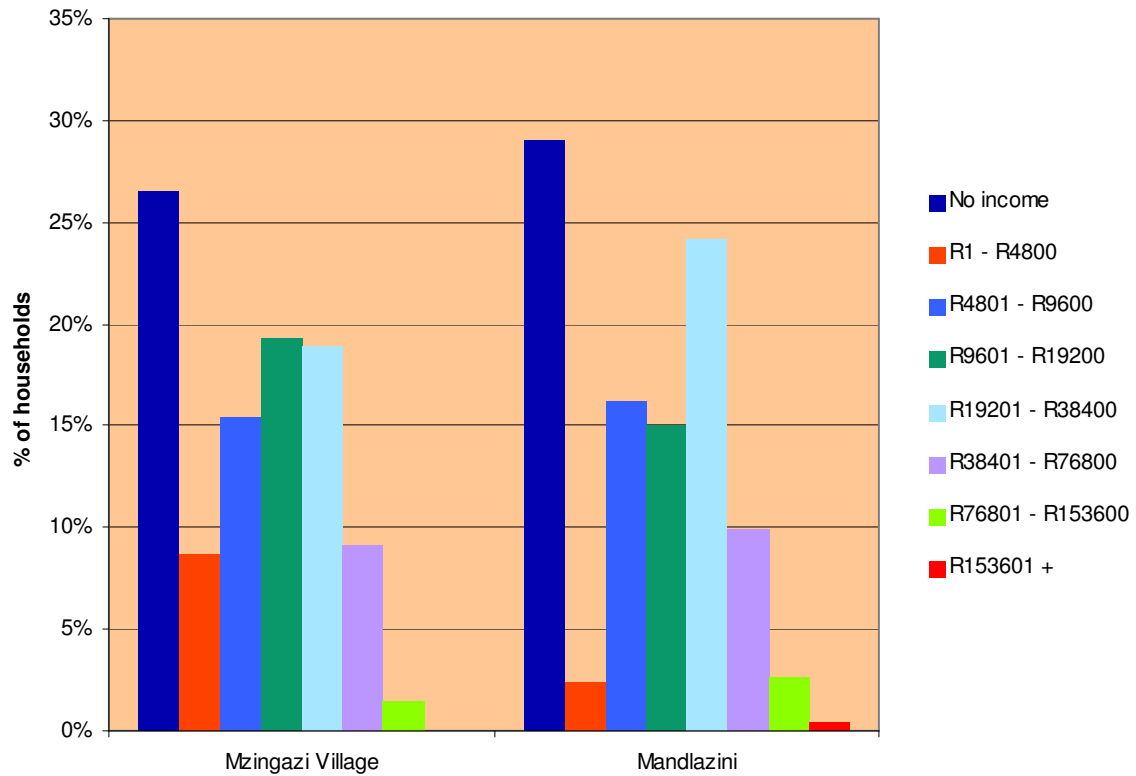
Household income

The comparison between annual household income is done according to typical rural, peri-urban and urban areas. Analysis of the overall average annual household income will be misleading as it is directly related to the geographical position and developmental level of a particular area.



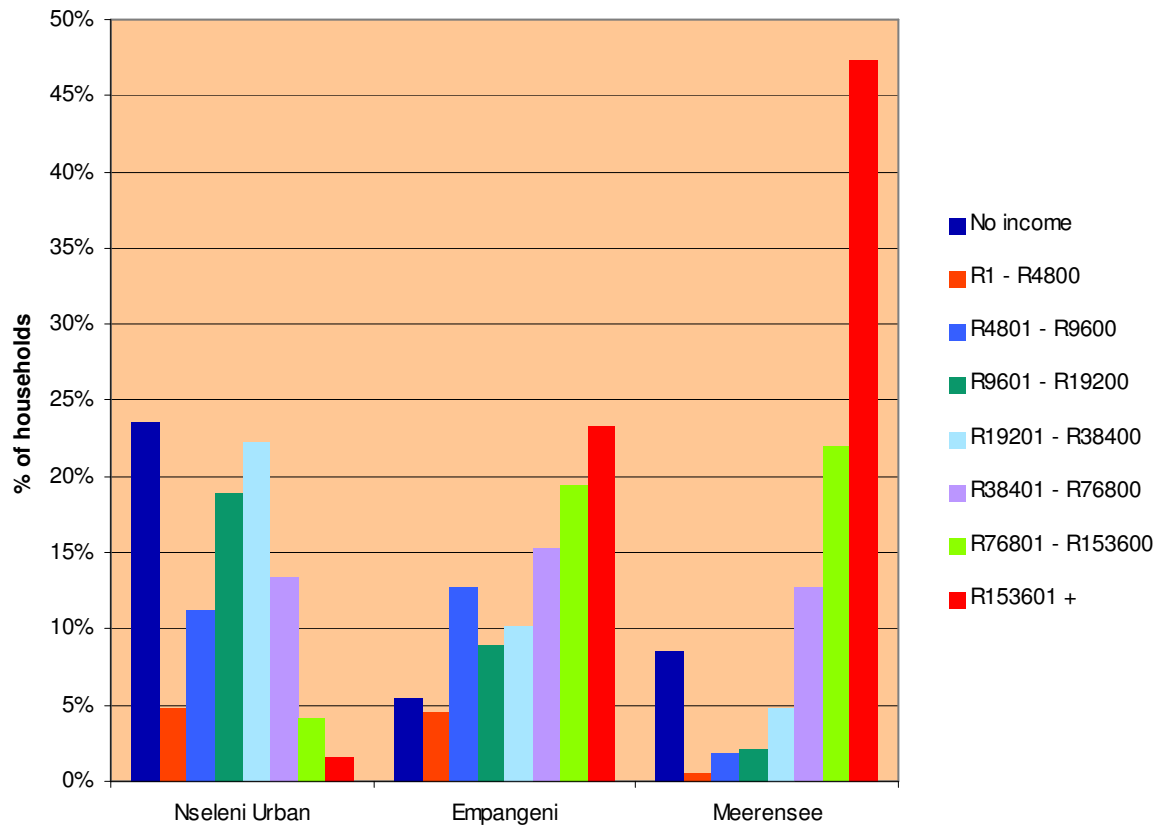
- The annual household income in the Nseleni rural area is the lowest as over 40% of all households have no income.
- Close to 20% of households in the Ngwelezane, Esikhawini and Nseleni rural areas earn between R9601 and R19200 per annum.

Annual Household Income in Peri-urban Areas



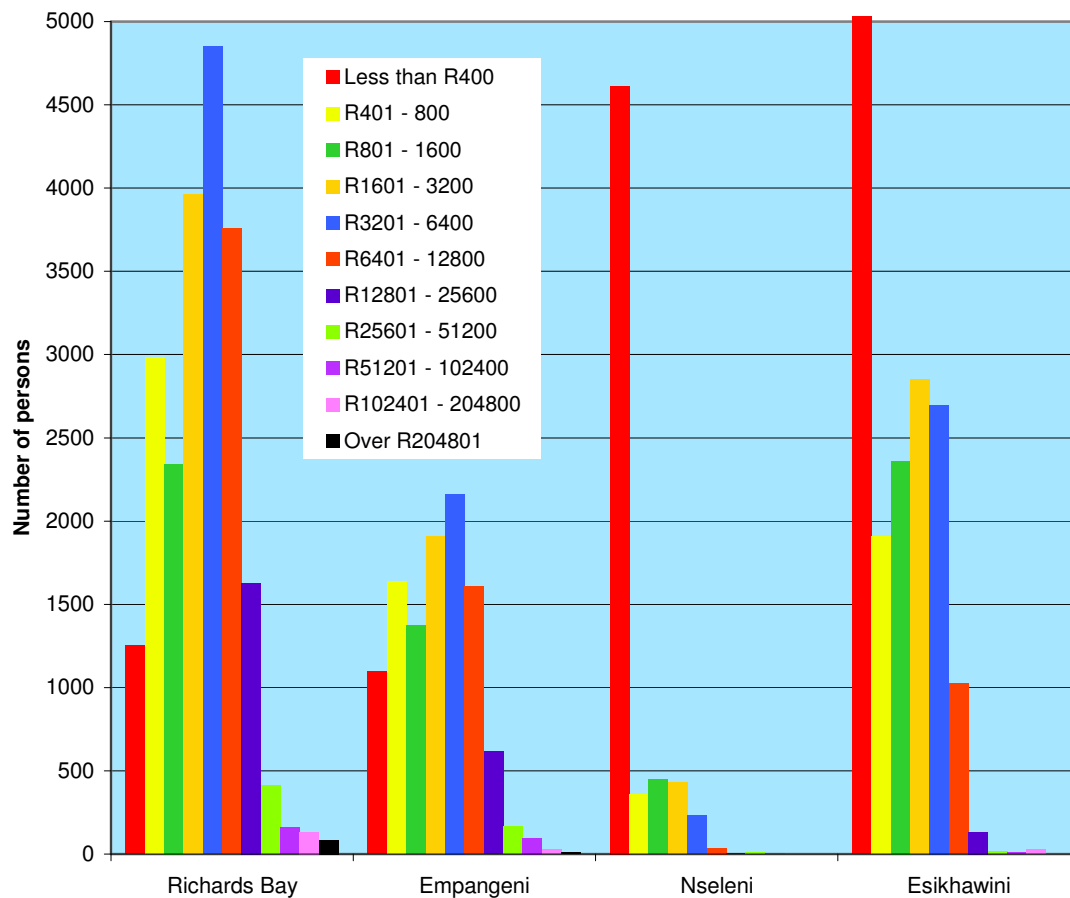
- 27% of households in Mzingazi Village and 29% of those in Mandlazini earn no income. A large portion of the households in these areas earn between R4801 and R38400 per annum.
- On average, the income distribution between households in Mzingazi Village and Mandlazini is between the R4801 and R76800 income brackets.

Annual Household Income in Urban Areas



- The comparison of annual household income between typical urban areas reveals that whereas 47% of households in Meerensee and 23% of households in Empangeni earn more than R153601 per annum, only 2% of households in Nseleni Urban earn this annual income.
- 23% of households in Nseleni Urban do not earn any income.
- Overall, annual household income is the highest in Meerensee, although some 8% of households in this area earn no annual income.

Individual Monthly Income in Typical Urban Areas



- Individual monthly income is, on average, higher in Richards Bay than in Empangeni, Nseleni or Esikhwini.
- A large number of individuals in Nseleni and Esikhwini earn less than R400 per month.

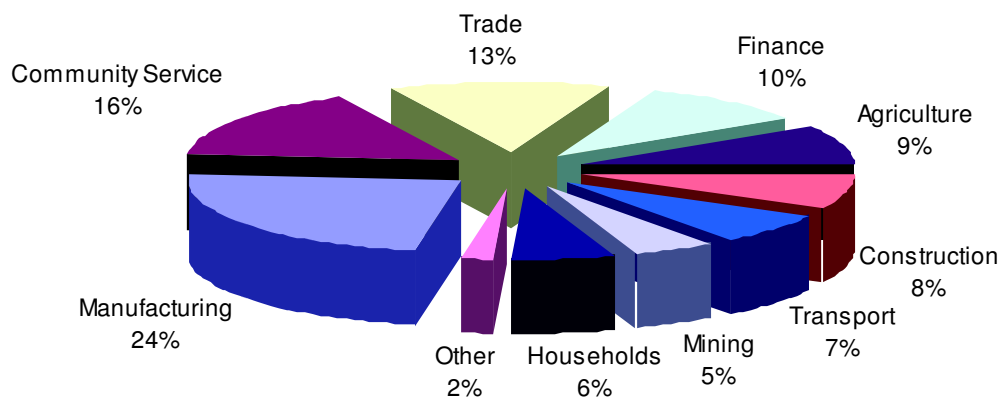
Labour Market Status

	<i>Richards Bay</i>	<i>Empangeni</i>	<i>Esikhwini</i>	<i>Other areas</i>	<i>Total</i>
<i>Economically active</i>					
• Employed	21029	10423	12485	31986	75924
• Unemployed	4181	1372	7767	38578	51898
Unemployment rate	19%	12%	38%	55%	41%
Total Labour Force	25210	11796	20252	70563	127821
Not economically active*	10890	5168	11671	54360	82089
Total Labour Market	36100	16963	31923	124924	209910

* Includes students, homemakers, the disabled, those too ill to work and anyone not seeking work

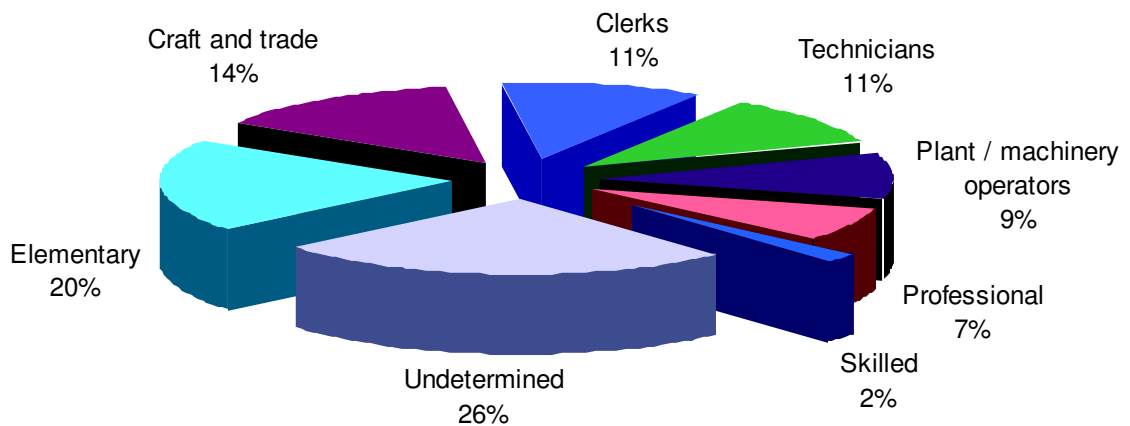
- The unemployment levels in the area are high at 36,28% comparison to world standards. However, the unemployment levels relate to employment in the formal sector and do not reflect the true situation. For instance, economic activity in tribal areas such as production for own use, arts and crafts, and informal sales are generally disregarded and creates the impression that tribal folk are without a source of income and the means to survive from day to day. This is not the case as the quality of life experienced in tribal areas is preferred by many people provided that the amenities associated with urban areas such as water, electricity, schools and clinics, are available.
- There are still very few economic opportunities and formal employment in the former township areas.

Distribution of Formal Employment by Economic Activity:



The manufacturing sector is the largest employer, employing 24% of the formally employed, followed by community services at 16% and trade at 13%.

Percentage of employable workforce with skills:



The dominance of the manufacturing sector in the municipal economy can be clearly seen from the chart above indicating the skills of the employable workforce – a large percentage of the employable workforce has elementary, craft and trade and technical skills. Professional skills also feature, which is reflective of the function of the municipal area as a service centre to the surrounding rural region.

Business

- The population is served by 5 business districts with 23 shopping centres and a combined total of 265 000m² commercial floor space.
- There are ± 5 000 businesses in the municipal area.
- The area has 8 post offices, 30 bank branches, 35 government organisations and offices, 5 cinemas, 14 hotels and 129 registered bed and breakfast establishments / guesthouses.
- Industrial floor space totals 558927m².

Energy sources

84,9% of all households use electricity as an energy source for cooking, 91,8% use it as a lighting source and 82,3% use it as a source for heating. 18,9% of households use gas or paraffin for cooking. Solar power is used by 0,3% of all households for cooking and lighting.

An average of 31 903 498 kilowatt electricity is used per day within the municipal area. The Municipality has a customer base of 31 312 and 3 000 customers receive 50kWh free every month.

Water and Sanitation

- 92% of households have access to running water; and 68,0% of households has piped water to the dwelling or inside the yard.
- The length of water pipes in the municipality adds up to 1700km.
- The reservoir capacities add up to 260 mega-litres.
- The length of sewer pipes in the municipal area adds up to 623km.
- 68129 of all households have access to free basic water services.
- 49.2% of all households have a flush or chemical toilet on the premises.
- There are 33 945 water meters for households, and 2 070 for businesses.
- There are 30 517 waste collection points for households and 1000 for businesses.
- 58% of the population has access to waste removal services; approximately 2 500 tons of waste is collected on a weekly basis. 47,6% of waste collected is domestic waste and 12,3% is garden waste.

Telecommunication

- 42,5% of all households has a normal telephone or cellular telephone in the dwelling.

Transport

- It is estimated that some 250 000 persons commute daily within the municipal area; close to 40 000 of these commuters are from outside the municipal boundary.
- The number of minibus taxis is estimated at 3 900 and the number of buses at 130.
- During 2007, 33582 light passenger vehicles, 2687 motorcycles and 1953 minibuses were registered within the municipal area.
- There are 733 bus routes and 142800 bus commuters.
- On average 400 freight trucks enter and exit the municipal area on a weekly basis.
- Spoornet provides a freight service of close to 750 trains per week, linking the city to Durban and Gauteng; there are 320 km of railway track.
- There are 128 km of tarred national roads and 850 km of tarred secondary roads in the municipal area. The municipality maintains 554 km of tarred roads and streets.

- The Port of Richards Bay consists of 2 157 hectares of land and 1 495 hectares of water area.
- Distance to closest international ports: Maputo – 465 km and Durban 160 km.
- The average monthly passenger departure in 2007 was 3694 at the Richards Bay Airport
- The number of vessels in the harbour averaged 308 during 2007

Community Facilities

- Municipal sport recreation facilities include:
- Two athletic fields, 15 basketball courts, one baseball field, five cricket fields (two floodlit) four hockey fields (2 floodlit), 10 volleyball courts, 74 soccer fields (9 floodlit) four rugby fields, four korfbal courts, seven tennis courts, 10 netball courts (8 floodlit), two polo fields, five squash courts, 16 jukskei, two golf courses, two bowling greens, 15 combi courts, nine swimming pools.
- There are 809 sports clubs with specific facilities for inter alia equestrian sport, polocrosse, aerolites angling, yatching, paddling and radio flyers.
- Within the municipal area there are four hospitals and 23 health clinics, four cemeteries, seven public libraries, 15 community halls, 102 schools and three tertiary education institutions, including a university.
- There are 1,7 police officers per 1 000 persons of the population, five police stations and four law courts.

Climate

- An idyllic subtropical, maritime climate prevails throughout the year at the coast, seldom lower than 12°-14°C in winter and reaching 32°-35°C during summer months. Average daily temperature is 28°C in summer and 22°C in winter.
- Summers are hot and humid, and experience majority of annual rainfall, while winters are warm and dry with occasional frost in the interior.
- Prevailing winds are north-easterly and southwesterly.

- The long term average annual rainfall for Richards Bay area is about 1200mm decreasing to about 1000mm inland towards Empangeni, with most of the rainfall occurring between January and May.
- The area experienced two periods of prolonged drought (1981-1983 and 1992-1994) during the past 30 years, and has been subjected to destruction by extreme floods generated by the cyclones Demoina and Mboa in 1984 followed by flood disasters in 1987 and 200.

Man made features of the area include dams and canals (189,1ha) and the Richards Bay Harbour (2 353 ha) 25,76% of all urban land in Richards Bay is zoned either as Public Open space or Conservation Amenity. There are two nature reserves within the municipal area

CHAPTER 2

ANNUAL PERFORMANCE REPORT 2009/2010



CONTENTS

PERFORMANCE MANAGEMENT SYSTEM (Implementation and Framework)

TABLE 1 – Organisational Performance Scorecard 2009/2010

TABLE 2 - Seven National Key Performance Indicators (GKPI's / NKPI's)

- 1 The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal**
- 2 The percentage of households earning less than R 1 100.00 per month with access to free basic services**
- 3 The number of jobs created through a municipality's local economic development initiatives including capital projects**
- 4 The number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan**
- 5 Financial viability**
- 6 The percentage of the municipal capital budget actually spent on capital projects identified for a particular year in terms of the municipality's IDP.**
- 7 The percentage of the municipal budget actually spent on implementing its workplace skills plan**

PERFORMANCE MANAGEMENT SYSTEM

The performance management framework was adopted by the uMhlathuze Municipality on 28 May 2002. The framework was reviewed and amended to align with the best practice guidelines suggested by the Department of Provincial and Local Government and Traditional Affairs of KwazuluNatal and the supporting documentation is available for inspection. The annual performance measurement on the 2009/2010 financial year is completed and reflected in the tables below. These performance tables were presented to the Auditor General for auditing together with the Annual Financial Statements.

The Performance Audit Committee members are:

Mr. H Oosthuizen – Chairperson from UNIZUL

Mr. S W Kunene

Ald. A Z Mnqayi (Mayor)

A Customer Satisfaction Survey for 2008/2009 was conducted during June 2009 and the results were communicated to Council via the Performance Audit Committee on 26 August 2009. The comprehensive analysis report is available on Council's official website. (www.richemp.org.za under the "Our Performance" tab.

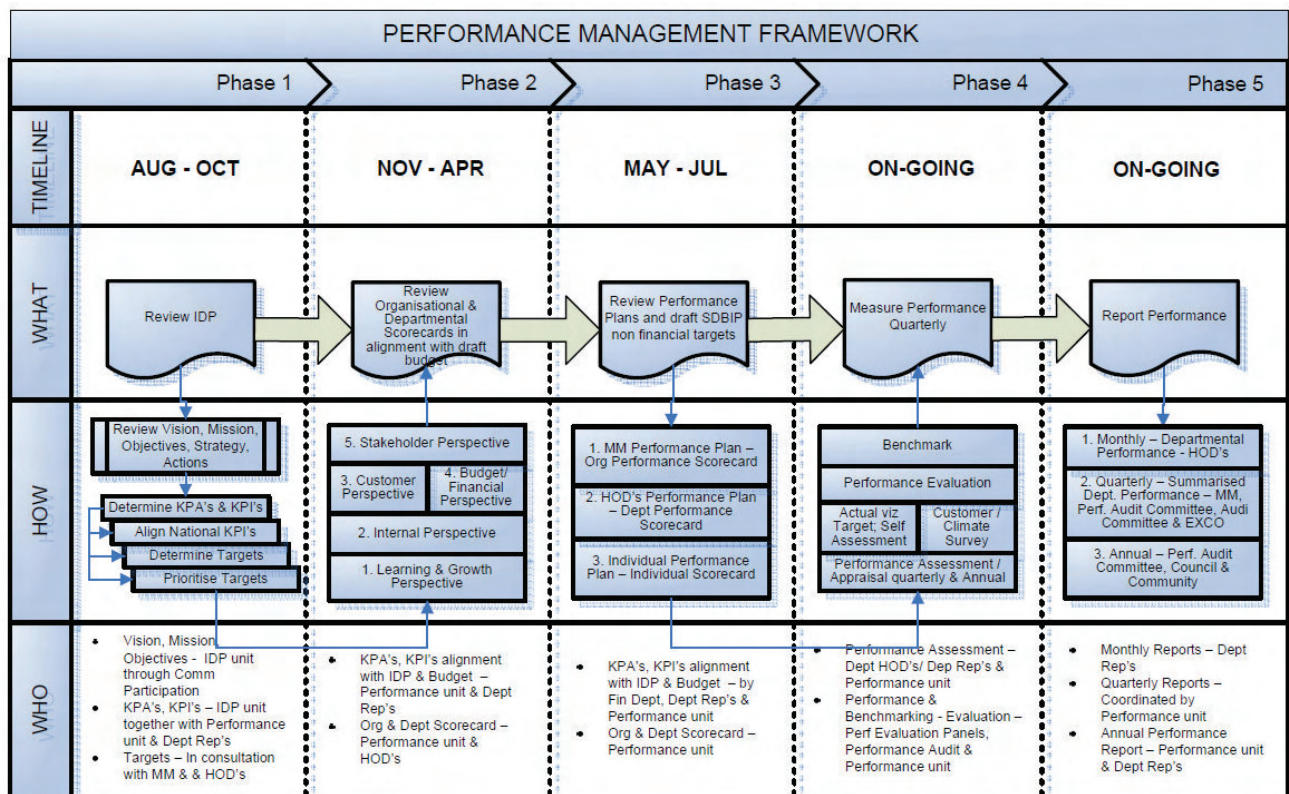
Key performance indicators have been re-developed in support of the municipality's development priorities and objectives set out in the revised IDP framework that will remain for the duration of the IDP period for consistency in measuring and reporting on long terms strategies and projects. Measurable performance targets with regard to each of these development priorities and objectives were established. A process to ensure regular reporting is in place and is fed back to the Council via the Performance Audit Committee. Individual performance agreements and performance plans were re-aligned to adhere to the provisions prescribed in the Performance Regulations (Notice 805, gazetted on 1 August 2006) and signed with the City Manager and Heads of Departments, once again for the new 2009/2010 financial year. These agreements are fully implemented and aligned with the Service Delivery and Budget Implementation Plan as required in terms of the Municipal Finance Management Act. Performance Evaluation panels have also been established for the assessment of the City Manager as well as Managers directly accountable to the City Manager per Council Resolution 4120 of 10 October 2006 and these panels do meet quarterly for evaluating individual performance which directly aligns with the organizational departmental performance targets.

The Department of Cooperative Governance and Traditional Affairs (CoGTA) have introduced a new Organisational Performance Reporting format (Table 1 below) which does not align with the approved IDP for the 2009/2010 financial year and is populated on high level for the year and will be refined during the 2010/2011 financial year.

The following diagram illustrates the performance management framework developed for the City of uMhlathuze for performance measurement and reporting, adhering to the procedures suggested by the Best Practice Guide for Municipal Organizational Performance Management in KwaZulu Natal Province:

Performance Management Framework

The process to measure, monitor/ track and report performance has been computerised during the 2009/2010 financial year, since the manual process became too complex and time consuming for completion within the required timeframes. Council's strategic Information Technology partner, GijimaAst has finalized the re-development of a computerised performance management system on the basis of creating internal capacity to develop and support the system on-site in future.



The above Performance Management Framework will be re-fined during the 2010/2011 financial year by the newly created Performance Management unit within the Office of the City Manager.

Section 46 of the Municipal Systems Act (Act 32 of 2000), stipulates the following:-

"Annual performance reports

46. (2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act."

This reports should be read in conjunction with the uMhlathuze annual report and annual financial statements as well as Auditor General Report on the Annual financial statements and performance for 2009/2010.

The following tables reflect the performance targets and achievements in the 2009/2010 financial year in relation to previously achievements (baseline) as follows:

TABLE 1 : ORGANISATIONAL PERFORMANCE SCORECARD 2009/2010

UMHLATHUZE ORGANISATIONAL PERFORMANCE SCORECARD										
IDP Ref	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2008/2009		2009/2010		Planned Measures for improvement	
					Target	Actual	Annual			
							Target	Actual		
1.1	Good Governance, Community Participation and Ward Committee Systems	Community Awareness	Public meetings	Number of meetings	18	18	13	13	Target was achieved	
1.1		Public Participation	Stakeholder meetings	Number of meetings	3	3	3	3	Target was achieved	
2.1	Basic Service Delivery and Infrastructure Development	Access to Water (If applicable)	Households with access to basic water	Number of Households	68832	70836	73542	71660	Currently,we are installing bulk reticulation,then new connection will be installed in future years.	
2.1			New Water Connections	Number of new connections	5381	6176	3259	1756	Currently,we are installing bulk reticulation,then new connection will be installed in future years.	
2.1		Access to Sanitation (If applicable)	Households with access to basic sanitation	Number of Households	38475	38763	42806	44129	This was based on the total approval of MIG allocation but subject to DORA allocation, however we are currently on tender stage to erect approximate 8000 toilet	
			New sanitation connections	Number of new connections	5475	6158	10506	5366	This was based on the total approval of MIG allocation but subject to DORA allocation, however we are currently on tender stage to erect approximate 8000 toilet	
2.2		Access To Electricity (If applicable)	Households with access to electricity	Number of Households	32000	32876	34388	34110	Target dependant on applications received	
2.2			New Electrical Connections	Number of new connections	1109	1985	1512	1234	Target dependant on applications received	
2.4		Access to Solid Waste (If applicable)	Households with access to waste disposal services	Number of Households	43 500	42 400	44 000	44 500	Target exceeded	
2.4			New households with access to weekly waste disposal services	Number of new households	2 734	1 634	1 600	2 100	Target exceeded	
2.1			Free Basic Services	Households with access to free basic water	Number of Households	68832	70836	73542	71660	Currently,we are installing bulk reticulation,then new connection will be installed in future years.
2.1				Households with access to free basic sanitation	Number of Households	5475	6158	10006	11524	Target was achieved
2.4	Households with access to free electricity			Number of Households	700	709	0	324	Dependent on applications received	

UMHLATHUZE ORGANISATIONAL PERFORMANCE SCORECARD									
IDP Ref	National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	Baseline 2008/2009		2009/2010		Planned Measures for improvement
					Target	Actual	Annual		
					Target	Actual	Target	Actual	
2.3	Basic Service Delivery and Infrastructure Development	Access to roads	Kilometres of tarred roads established	Number of km	NA	NA	6.4	6.4	Target was achieved
2.3			Kilometres of gravel roads established	Number of km	NA	NA	36	28.2	Financial & human resource constraints
2.3			Kilometres of roads maintained	Number of km	800	800	800	794	Target was almost achieved
2.115		Community and Public Facilities	New facilities provided	Number of facilities	4	1	4	3	Financial constraints. Source sponsorship/partnership
2.115			Upgraded facilities provided	Number of facilities	13	9	6	4	Financial constraints. Adjust target to budget
3.1.3	Local Economic Development	Promotion of Local Economy	Jobs created through the municipality's Capital Projects	Number of jobs	1414	99	750	547	Temporary job created
4.6	Municipal Transformation and Institutional Development	Human Resources Management	Budget Spent on Workplace Skills Plan	Percentage Spent	1.0%	1.0%	1.0%	0.82%	Financial constraints resulting in lower spend on training
4.1.1		Batho Pele Principles	Community Surveys conducted	Number of surveys	1	1	0	0	Surveys completed for previous seven consecutive years. Will be done in 2011/2012
4.1.1		Performance Management Systems	S57 Performance Agreements	Number of agreements	10	10	7	7	None required
4.5		Municipal Turn Around Strategy	Implementation of the National Municipal Trunaround Strategy	% Implemented	0	0	0	0	Targets set for 2010/2011
5.4	Financial Viability and Financial Management	Revenue Enhancement	Cash collected from customers	R value of revenue collected	910,054,200	800,908,993	964,000,000	952,119,367	
			Amount invoiced/billed to customers	R value of invoices raised	780,131,594	811,520,884	985,888,926	964,699,613	
5.4			Debt service payments	R value	24,389,610	24,389,610	62,527,371	62,527,371	
5.1		Financial management	Total revenue received from grants and subsidies	R value	153,421,600	168,234,222	183,438,700	236,022,744	
5.1			Total of grants and subsidies spent	Percentage spent	100%	100%	100%	100%	
5.1			Total operating budget	R value	1,278,507,400	1,012,605,510	1,183,579,600	1,314,035,053	
5.1		Budgeting and reporting	Total Salaries and Wages budget (including benefits)	R value	316,745,200	288,445,987	330,254,400	322,178,326	
5.1			Compliance with MFMA requirements	Percentage compliance	100%	90% (Asset management outstanding)	100%	100%	
5.1		Expenditure control	Total operating expenditure	R value	1,278,507,400	1,083,298,607	1,299,766,400	1,280,666,014	

KEY FOR MEASURABLE OBJECTIVES:

Priority

Vuna

Additional /Departmental

TABLE 2 (MUNICIPAL SERVICES – GENERAL KEY PERFORMANCE INDICATORS 2009/2010 FINANCIAL YEAR: GKPI's / NKPI's)

1 THE PERCENTAGE OF HOUSEHOLDS WITH ACCESS TO BASIC LEVEL OF WATER, SANITATION, ELECTRICITY AND SOLID WASTE REMOVAL

Due to inaccuracy of number of households in the KZ 282 municipality, it is extremely difficult to provide statistics with a proven accuracy level. The latest number of households has been adjusted to 74 269, based on an investigation by SIVEST town planning consultants. This figure is regarded as the most accurate to date.

WATER

96.48% households have access to the basic RDP level of water supply service. The basic level for the provision of water is communal supply < 200m from a household. The target for 2010/2011 for basic RDP level of water supply service is 99%.

SERVICE LEVEL	NO OF HOUSEHOLDS	BASELINE	ACHIEVED 2007/08	TARGET 2008/09	ACHIEVED 2008/09	TARGET 2009/10	Actual Achieved				COMMENTS
							Quarter 1 30 Sept'09	Quarter 2 31 Dec'09	Quarter 3 31 Mar'10	Quarter 4 30 Jun'10	
House connections	31 533	42.46%	34 766 (46.82%)	35 000 (47.13%)	35247 (47.5%)	35 800 (48.2%)	35 247 + 110 = 35357 (47.61%)	35 357 + 69 = 35 426 (47.7%)	35426 + 82 = 35508 (47.8%)	35508+5 5 = 35563 (47.88%)	
Yard connections	17 532	23.61%	25865+ 545=26 410 (35.56%)	31 557 (42.5%)	32105 (43.2%)	34 811 (46.87%)	32105 + 1052 = 33157 (44.64%)	33 157 + 364 = 33 521 (45.1%)	33521+2 4 = 33545 (45.1%)	33545 (45.2%)	
Communal supply <200 m	8 305	11.18%	5838 (7.56%)	2275 (3.06%)	3484 (4.7%)	2 631 (3.54%)	3484 – 421 = 3063 (4.12%)	3063 - 0 = 3 063 (4.12%)	3036 - 442 = 2552 (3.4%)	2552 (3.4%)	

Communal supply >200 m	7 850	13.45%	7617 (10.26%)	5437 (7.32%)	3433 (4.6%)	1027 (1.0%)	3433 – 631 = 2802 (3.37%)	2802 – 25 = 2777 (3.7%)	2777-113 = 2664 (3.6%)	2664 - 55 = 2609 (3.5%)	
No formal service	13 941	18.77%									
Previous Total:											
2005/06	74 269	77.26%	89.74%	92.68%	95.4%	99%	96.37%	96.92%	96.3%	96.48%	
2006/07	74 269	87.71%									
2007/08	74 269	89.74%									
2008/09	75269	95.40%									

SANITATION

59.42% households have access to the basic level of service for sanitation. The basic (RDP) level is a VIP per household. The target for 2009/2010 for basic RDP level of sanitation service is 57.63%, the Infrastructure and Service delivery Department is finalising more accurate figures.

SERVICE LEVEL	NO OF HOUSEHOLDS	BASELINE	ACHIEVED 2007/08	TARGET 2008/09	ACHIEVED 2008/09	TARGET 2009/10	Actual Achieved				COMMENTS
							Quarter 1 30 Sept'09	Quarter 2 31 Dec'09	Quarter 3 31 Mar'10	Quarter 4 30 Jun'10	
Waterborn e sewerage	24 034	43.30%	32 285 (43.47%)	33 000 (44.43%)	32 605 (43.9%)	32 800 (44.16%)	32 605 (43.9%)	32 605 (43.9%)	32 605 (43.9%)	32 605 (43.9%)	
VIP 's ****	8 057	10.85%	5 458 (7.35%)	5 475 (7.37%)	6 158 (8.3%)	10 006 (13.47%)	6 158 + 0 (8.3%)	6 158 + 0 (8.3%)	6 158 + 1 600 = 7 758 (10.45%)	7 758 + 3 766 = 11 524 (15.52%)	
No formal service	52384	45.85%	46 926	44 451	35 506	25 000	35 506	35 506	33 906	30 140	
Total											
2005/06	74 269	46.65%									
2006/07	74 269	54.15%	50.82%	51.80%	52.2%	57.63%	52.2%	52.2%	54.35%	59.42%	
2007/08	74 269	50.82%									
2008/09	74 269	52.20%									

SOLID WASTE REMOVAL

73.5% households have access to the basic level of service for solid waste. The basic level is one removal of a 240-litre bin per week per household in urban areas and 127 skips serving households in rural demarcated wards. The target for 2010/2011 for basic solid waste removal service is 75%.

INDICATOR	BASELINE	ACHIEVED 2007/08	TARGET 2008/09	ACHIEVED 2008/09	TARGET 2009/10	Actual Achieved				COMMENTS
						Quarter 1 30 Sept'09	Quarter 2 31 Dec'09	Quarter 3 31 Mar'10	Quarter 4 30 Jun'10	
Basic level of service - urban (240 litre bins)	40 625 = 54.70%	40 766 / 74 269 = 54.89%	43500 bins/74 269 = 58.57 %	42400/7 4269 = 57,1%	44000 bins/742 69 = 59.23%	44100/74 269= 59.38%	44500/74 269= 59.92%	44500/74 269= 59.92%	44500/74 269 59.92%	The basic service target has been achieved
Free basic level service	11 286 = 15.20%	11625 / 74 269 = 15.65%	11850	12000/7 4269 = 16,16%	12265/7 4269= 16.51%	12000/74 269= 16.16%	12270/74 269= 16.52%	12270/74 269= 16.52%	12270/74 269 16.52%	Free basic service is steady at 16.16%, below the target.
Skips placed in wards – additional to free basic service	78 skips	77 skips	127	127	160	130	130	130	130	Rural skips steadily increasing as additional skips were issued.
Percentage of households with basic solid waste removal service	63,4 % 69.90%	70.19%	72%	73.5%	75%	75.54%	76.44%	76.44%	76.44	The service has increased in urban areas due to new settlement homes. Target achieved.

ELECTRICITY

There are currently two licence holders for electricity distribution and reticulation in the KZ 282 area (City of uMhlathuze) namely the City of uMhlathuze Electrical Department and ESKOM. It is therefore very difficult to determine the accuracy of statistics and forecasts provided by ESKOM.

The basic level of service for electricity is 50 kilowatt per month per household.

INDICATOR	BASE LINE	ACHIEVED 2007/08	TARGET 2008/09	ACHIEVED 2008/09	TARGET 2009/10	Actual Achieved				COMMENTS
						Quarter 1 30 Sept'09	Quarter 2 31 Dec'09	Quarter 3 31 Mar'10	Quarter 4 30 Jun'10	
Households with access to Electricity uMhlathuze area of supply	99%	29 891 households 99%	32000 households 100%	32 876 households	34 388 households	85	1057	39	53	
Households with access to Electricity Eskom area of supply	70%	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	

Note: It is difficult to reach a target of 100% as there is always development and the aim is to accommodate the supply to the new developments as the need arises.

2 THE PERCENTAGE OF HOUSEHOLDS EARNING LESS THAN R 1 100.00 PER MONTH WITH ACCESS TO FREE BASIC SERVICES

There is currently no accurate information available on income below R 1 100.00 per month. The City of uMhlathuze provides 6 kilolitres of water to all residents with access to water services. The 50 kilowatts of basic service level for electricity is not provided free of charge to all consumers and is only provided to consumers with an average consumption of less than 150 kilowatts over a 12 months period as per Council policy.

According to the City Electrical Engineer's Department, it is estimated that approximately 700 households in the area of electricity supply by the Council, can be classified as "the poorest of the poor". These figures were obtained through Ward Committee Meetings. So far, 1000 of these households provided evidence of their financial state, and are now provided with 50 kilowatt electricity free of charge.

According to the City Electrical Engineer's Department, ESKOM estimates that a total of 17 000 households in their area of electricity supply can be described as "the poorest of the poor". However, ESKOM does provide approximately 2 500 households with 50 kilowatt free electricity that gets subsidised by uMhlathuze municipality for the interim as ESKOM is still in the process of drafting a uniform policy.

3 THE NUMBER OF JOBS CREATED THROUGH A MUNICIPALITY'S LOCAL ECONOMIC DEVELOPMENT INITIATIVES INCLUDING CAPITAL PROJECTS

Council has adopted a LED policy according to which at least 750 sustainable jobs be created per annum. Each department is responsible for a number of different capital projects taking place throughout the year. Contractors would handle most of these projects. In that way Council will not actively employ more people but would only play a contract management role. The following table depicts the number of jobs created:

INSTITUTION	2007/2008		2008/2009		2009/2010							
					Quarter 1 30 Sept'09		Quarter 2 31 Dec'09		Quarter 3 31 Mar'10		Quarter 4 30 Jun'10	
	PERMA NENT	TEMPO RARY	PERMA NENT	TEMPO RARY	PERMA NENT	TEMPO RARY	PERM ANENT	TEMP ORAR Y	PERM ANENT	TEMP ORAR Y	PERM ANENT	TEMP ORAR Y
Joint Development Forum	231	1183	15	84	-	485	-	-	-	50	-	12
Zululand Centre for Sustainable Development												
TOTAL	231	1183	15	84		485				50		12

Comments: * Cumulative total for the 2009/2010 financial year

4 THE NUMBER OF PEOPLE FROM EMPLOYMENT EQUITY TARGET GROUPS EMPLOYED IN THE THREE HIGHEST LEVELS OF MANAGEMENT IN COMPLIANCE WITH THE MUNICIPALITY'S APPROVED EMPLOYMENT EQUITY PLAN

[illegible]

	TOTAL	3	4	4	0	1	1	1	1	3.05	0	0	0	1	0	1.96	0	0	4	3	0
SENIOR MANAGEMENT	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	19	8	8	8	0	1	0	2	1	7	0	0	0	1	1	4	0	0	11	6	0
	18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	17	5	4	4	0	0	1	1	1	3	0	0	0	1	1	2	0	0	2	3	0
	16	6	3	5	0	0	0	1	1	3	0	0	0	1	1	1	0	0	3	3	0
	15	6	9	11	0	0	1	2	4	8	0	0	1	2	6	4	0	0	6	6	0
	TOTAL	25	24	28	0	1	2	6	7	21	0	0	1	5	9	11	0	0	22	18	0

Comments: Table reflects statistics and is self-explanatory.

5 FINANCIAL VIABILITY

The regulations on Planning and Performance Management also determine that the financial performance of municipalities have to be reported. Information regarding the following ratios must be provided:

$$A = B - C / D$$

Where "A" represents debt coverage

"B" represents total operating revenue received

"C" represents operating grants

"D" represents debt service payments

DEBT COVERAGE	BASELINE	ACHIEVED 2007/08	TARGET 2008/09	ACHIEVED 2008/09	TARGET 2009/10	Actual Achieved				Comments
						Quarter 1 30 Sept'09	Quarter 2 31 Dec'09	Quarter 3 31 Mar'10	Quarter 4 30 Jun'10	
B = Total operating revenue received	480,666,482	1 441 968 982	1 269 305 700	1 076 357 961	1 054 914 000	333 285 811	292 457 106	283 321 636	313 068 003	Per Quarter (Non-cumulative)
C = Operating grants	25,930,168	100 794 253	155 504 800	102 059 927	174 154 000	29 149 972	28 166 447	34 455 083	30 331 489	
D = debts service payments (interest & redemption due for the year)	47,370,528	140 737 859	186 996 900	144 786 701	159 737 000	36 255 525	36 255 374	42 948 976	38 486 626	
A= (B-C)/D	9.60	9.53	5.96	6.73	5.51	8.39	7.29	5.80	7.35	

$$A = B/C$$

Where "A" – represents outstanding service debtors to revenue

"B" – represents total outstanding service debtors

"C" – represents annual revenue actually received for services

OUTSTANDING SERVICE DEBTORS TO REVENUE	BASELINE	ACHIEVED 2007/08	TARGET 2008/09	ACHIEVED 2008/09	TARGET 2009/10	Actual Achieved				Comments
						Quarter 1 30 Sept'09	Quarter 2 31 Dec'09	Quarter 3 31 Mar'10	Quarter 4 30 Jun'10	
B = Outstanding service debtors	38694618. 07	77 552 494	84 000 000	70 386 682	90 000 000	90 893 000	91 111 000	89 055 682	86 641 274	
C = Annual revenue actually received for service debtors	- 393677485. 14	619 356 032	832 052 454	800 448 949	900 000 000	249 007 557	248 455 703	228 967 851	225 688 256	
A = B/C	0.10	0.12	0.10	0.09	0.10	0.36	0.36	0.39	0.38	

A = B+C/D

Where "A" – represents cost coverage

"B" – represents all available cash at a particular time

"C" – represents investments

"D" – represents monthly fixed operating expenditure

COST COVERAGE	BASELINE	ACHIEVED 2007/08	TARGET 2008/09	ACHIEVED 2008/09	TARGET 2009/10	Actual Achieved				Comments
						Quarter 1 30 Sept'09	Quarter 2 31 Dec'09	Quarter 3 31 Mar'10	Quarter 4 30 Jun'10	
B = All available cash at a particular time	2 902 175.05	479 872 000	94 406 000	106 038 312	76 205 000	37 129 004	134 941 854	115 527 316	41 190 772	<i>Current investments equals grants received</i>
C = Investments	37 038 303.74									
D = Monthly fixed operating expenditure	38 886 668.33	513 820 000	917 841 000	1 064 971 000	982 126 000	371 189 000	298 424 000	296 319 000	243 826 000	
A = (B +C)/D	1.03	0.09	0.11	0.10	0.078	0.999	0.45	0.39	0.17	

6 THE PERCENTAGE OF THE MUNICIPAL CAPITAL BUDGET ACTUALLY SPENT ON CAPITAL PROJECTS IDENTIFIED FOR A PARTICULAR YEAR IN TERMS OF THE MUNICIPALITY'S IDP.

CAPITAL BUDGET ACTUALLY SPENT ON CAPITAL PROJECTS	ACHIEVED 2007/08	TARGET 2008/0 9	ACHIEVE D 2008/0 9	TARGET 2009/1 0	Actual Achieved				Comments
					Quarter 1 30 Sept'09	Quarter 2 31 Dec'09	Quarter 3 31 Mar'10	Quarter 4 30 Jun'10	
Capital Budget amount spend on capital project / Total Capital budget X 100	63%	90%	70.99%	90%	10%	24%	63%	82% (up to 07/07/2010)	<i>Cumulative.</i>

7 THE PERCENTAGE OF THE MUNICIPAL BUDGET ACTUALLY SPENT ON IMPLEMENTING ITS WORKPLACE SKILLS PLAN

WORKPLACE SKILLS PLAN	BASELINE	ACHIEVED 2007/08	TARGET 2008/09	ACHIEVE D 2008/0 9	TARGET 2009/10	Actual Achieved				Comments
						Quarter 1 30 Sept'09	Quarter 2 31 Dec'09	Quarter 3 31 Mar'10	Quarter 4 30 Jun'10	
Skills Levy	1% of Salaries Budget	0.67%	R 2 354 208/ 1.0%	0.99%	1.0%	0.18%	0.26%	0.20%	0.18%	

CHAPTER 3

HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT



HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

Functions and Structures of the City of uMhlathuze

The City of uMhlathuze is a category B municipality as described in Section 155(1)(b) of the Constitution of the Republic of South Africa. The functions of the municipality are as described in Section 156 of the Constitution.

The functional structures consist of the City Manager with 5 departments whose heads report directly to the City Manager.

Department of Financial Services- is headed by the Senior Manager Financial Services and is responsible for

- Financial planning and budgeting
- Expenditure and related liabilities
- Income and related credit management
- Financial reporting

Department of City Development- - In line with the realignment of services to ensure effective and efficient delivery to the public, the former Departments of Planning and Sustainable Development and Community Facilitation and Marketing were amalgamated to form one department under the management and control of the Senior Manager City Development and who is responsible for:

- Land use Management
- Human Settlement
- Communications
- Property Administration
- Local Economic Development
- Development Administration
- Strategic Development, Environment Planning and IDP

Department of Infrastructure and Technical Services- In line with the realignment of services to ensure effective and efficient delivery to the public, the former departments of the City Engineer and City Electrical Engineer were amalgamated to form one department under the management and control of the Senior Manager and who is responsible for:

Engineering

- Water Services Authority
- Water Services Provider
- Project Management
- Roads and storm water
- Buildings and structure
- Support services

Electrical Engineering

- Operations and Maintenance
- Planning, Development and Technical Services
- Marketing, Customer Services and Revenue Protection
- Support Services

Department of Community Services- In line with the realignment of services to ensure effective and efficient delivery to the public, the former departments of the Parks, Sport and Recreation and Department of Community Services and Health were amalgamated to form one department under the management and control of the Senior Manager and who is responsible for

- Recreational and Environmental Services
- Clinic Services
- Traffic and Licencing
- Fire and Rescue
- Waste Management Services
- Environmental health
- Museum
- Library and Hall Bookings

Department of Corporate Services- In line with the realignment of services to ensure effective and efficient delivery to the public, the former departments of Corporate Services and the Department of Management Services were amalgamated to form one department under the management and control of the Senior Manager Corporate Services and who is responsible for

- Diverse Administration
- Secretariat
- Councillor Support
- Legal Services
- Human Resources

Achievements of these departments are reflected separately.

Department of Corporate Services

- **Diverse Administration**
- **Secretariat**
- **Councillor Support**
- **Legal Services**
- **Human Resources**

1. Diverse Administration Services

The Section provides Secretarial and Administrative Support to the uMhlathuze Municipality such as processing and record keeping of correspondence, the collation of agendas, the compilation of minutes and the distribution of agendas,

as well as programming of all institutional meetings and social functions of the Council.

2. Registry

Registry forms the nucleus of all incoming and outgoing mail for the Municipality, including daily postal collections, emails, facsimiles and hand delivered mail. Registry receives and circulates mail, as well as ensures that every scrap of paper is filed on a daily basis to ensure that the Municipality's mail and filing systems remain up to date and current. Before any of the mail can be attended to it is subject to a rigorous process, i.e. mail is first opened/printed, sorted, circulated to Senior Manager: Corporate Services for allocation to various department purposes, circulated to Municipal Manager to note and comment on, returned to registry to be scanned and placed in the incoming mail folder of the various departments for further attention. This process takes a day or two, depending on the availability of Senior Management.

From the statistical information below it is evident that this section, manned by six personnel, is fully occupied in order to provide an efficient and effective administrative service.

	Jul 09 - Sep 09	Oct 09 - Dec 09	Jan 10 - Mar 10	Apr 10 - Jun 10	Total for the year
Incoming Mail	2 508	2 117	1 980	2 220	8 825
Cheques received	440	355	431	347	1 573
Outgoing Mail	10 226	6 850	13 573	8 989	39 638
Total items handled	13 174	9 322	15 984	11 556	50 036

2.1. Telecommunications

The switchboard hub moved to the reception area of the Richards Bay Civic Centre on 24 August 2009, and has been established to also incorporate the future 24-hour Call Centre.

(negative)

The switchboard operators, as the first point of contact with the Municipality, render a sterling service to the public and the staff and are to be commended for their manner and patience displayed when dealing with the public and staff under often trying circumstances

July 2009 – June 2010

Incoming calls: 473 294

Outgoing calls: 524 94

2.2. Policies

The following policies were either drafted or amended during the year under review:

- RPT 144076 - In Service Training For Learners
- RPT 147839 - The Staff Recruitments and Selection Policy
- RPT 147800 - Anti Nepotism Policy
- RPT 1477799 - Recruitment and Selection of Relief staff
- RPT 147840 - Acting Arrangements
- RPT 146695 - Alienation of Immovable Property
- RPT 147646 - Communication Strategy

3. Secretariat

This section has functioned extremely well meeting various deadlines and working under continuous and tremendous demands in arranging meetings, compilation and distribution of agendas for all Section 79 and 80 committee meetings as well as the Executive Committee and Council. In addition the Supply Chain Management Committees administered by this section meet an average of five times per week to consider all municipal capital tenders which implies in most instances a turnaround time of one week between evaluation and adjudication. The number of meetings administered during the period under review is listed below:

	Council		Exco		Portfolio		Bid		Mteam		Other		Total	
July 09 – Sep 09														
Meetings held	7		7		41		41		6		12		114	
Agenda items		254		155		222		84		219		91		1 025
Oct 09 – Dec 09														
Meetings held	3		5		23		19		2		11		63	
Agenda items		208		186		143		32		74		73		716
Jan 10 – Mar 10														
Meetings held	8		5		27		34		5		11		90	
Agenda Items		152		143		173		63		174		68		773
Apr 10 – Jun 10														
Meetings held	4		6		29		24		6		14		83	
Agenda Items		198		162		164		49		125		71		769
Total for the year														
Meetings held	22		23		120		118		19		48		350	
Agenda Items		812		646		702		228		592		303		3283

Numerous cost saving efforts yielded a decrease in paper and other stationery consumption during Council's cash flow crisis, and a more pronounced saving drive has been inculcated throughout the section. Further savings have also been realised by limiting deliveries to Councillors to once a week and meals provided at functions and meetings were stopped. A paperless agenda route is currently being reviewed for the next financial year.

This section has also been the foundation of many high profile functions held at Council. The Municipality hosted the ILGM: Provincial Young Managers Forum in July 2009, which was a resounding success. The co-ordination and arrangements involved was indicative of the positive response received from the delegates who attended the conference.

4. Councillor Support

The establishment of the Councillor Support Unit was finalised with the employment of the Chief Administrative Officer as well as the Senior Administrative Officer. Before the appointment of these incumbents, the PAs to the Mayor and Deputy Mayor were appointed and they also form part of this unit. The sole purpose of the unit is to provide administrative support on full time basis to full time as well as part time Councillors.

Prior to these appointments, the Secretariat Services performed this function and did an outstanding job.

5. Legal Support Services

Aims of Legal Support Services are:

- To manage the provision of a comprehensive, efficient and effective legal service to the Municipality,
- To safeguard the Municipality's interests in all legally related matters and to ensure that all the Municipality's operations are being conducted within the parameters of the law.
- To strengthen the capacity of the Municipality to fulfill its mandate as stipulated in terms of the constitution and other legislation.
- To provide a supportive and advisory role to the Municipality in order to fulfil its objectives
- To enhance organisational efficiency by promoting an environment that complies with corporate governance and enables the Municipality to achieve its objectives

5.1. Services Rendered by Legal Services

5.1.1. Legal Agreements

- Implement and manage a contracts register of all contracts drafted and vetted for safe-keeping (DMS 559287 and 624096)
- Ensure that all contracts comply with relevant legislation and Council policy requirements by vetting and ensuring that contracts are in line with Council's policies as well as relevant legislation.

5.1.2. Drafting and managing of Council's Bylaws

- Keeping registers of all Council Bylaws
- Attend to regular updates and legal formalities in respect of promulgation of bylaws in accordance with applicable legislation

BYLAWS	<i>DATE OF REVIEW</i>
Keeping of Animals Bylaws	June 2009
Solid Waste Bylaws	June 2009
Water Services Bylaws	July 2009
Advertising Sign Bylaws	July 2009
Street Trading Bylaws	August 2009
Bylaws Relating to Public Amenities	August 2009

BYLAWS	<i>DATE OF REVIEW</i>
Credit Control and Debt Collection Bylaws	September 2009
Funeral Undertakers Bylaws	September 2009
Cemetery Bylaws	October 2009
Bylaws Relating to Flammable Liquids	October 2009

Bylaws Relating to the Lease of Halls and Conference Facilities	November 2009
Bylaws Relating to the Control of Parking Attendants/Car Guards	November 2009
Bylaws Relating to Public Libraries	December 2009
Bylaws Relating to Municipal Swimming Pools	December 2009
Bylaws Relating to Childcare Services	January 2010
Electricity Supply Bylaws	January 2010
Standing Orders for the Council and its committees	February 2010
Nuisance Bylaws	February 2010
Environmental Health Bylaws	March 2010
Bed and Breakfast Bylaws	March 2010
Beach Bylaws	April 2010
Rates Bylaws	April 2010
Possession and discharge of fire works Bylaws	May 2010
Pound Bylaws	May 2010

The above table shows the programme for the review of Council's Bylaws for the 2009/2010 financial year. The following bylaws were reviewed and amended: Standing Orders, Street Trading, Rates, Solid Waste and Environmental Bylaws.

5.2. Pre-Litigation Meetings and Litigation Conducted

- Convene pre-litigation meetings with parties in contravention of the uMhlathuze Town Planning Scheme and the National Building Regulations and Building Standards Act to attempt to regularise transgressions and minimise cases handed to attorneys for litigation
- Institute and defend all legal action on behalf of Council
- Represent Council on arbitrations
- Deal with administrative appeals
- Represent Council on Town Planning Appeals and Tribunals
- Implement and manage registers of all cases handed to attorneys for litigation

<u>SUBJECT</u>	07/09 – 09/09	10/09 – 12/09	01/10 – 03/10	04/10 – 06/10
Litigation instituted by Council	25	24	22	17
Litigation against Council	2	3	4	6
Closed cases	1	1	0	5
Pre-litigation Matters	5	4	3	5
Matters Resolved at Pre-litigation	1	0	2	3

5.3. Meetings/Administrative Support

- Records are kept of all the applications and approvals by the City Manager for all Section 4 Planning Meetings convened in terms of the Gatherings Act, Act 205 of 1993 with relevant role players, to ensure compliance with legislation. During the financial year of 2009/2010 a total of approximately 100 meetings were attended to.
- Provide legal support, advice and opinions on matters of concern to officials, to ensure compliance with relevant legislation. Approximately 12 matters were dealt with during the financial year of 2009/2010.
- Effectively manage and reporting on Council's security contracts for the financial year 2009/2010.

The following Security Contracts are reported on a quarterly basis:

1. Contract 8/2/1/560: Cash-in-Transit Services
2. Contract 8/2/1/175: Guarding at Empangeni, Ngwelezane, Vulindlela and eSikhaleni
3. Contract 8/2/1/176: Guarding at Richards Bay and eNseleni
4. Contract 8/2/1/177: Guarding at "MAJOR" buildings
5. Contract 8/2/1/206: Guarding and Armed Response for cash offices and electrical substations
6. Contract 8/2/1/207: Diverse Security Services

6. Human Resources

Human Resources has four branches namely: Personnel Administration Services, Maintenance and Development Services, Management Information Services and Corporate Data Base Services. They are further divided into sub-sections to cover the spectrum of personnel-related functions.

6.1. Personnel Administration Services

Personnel Administration Services is responsible for staff resources, control of all leave, general personnel administration as well as employment equity.

Statistics reflect Council's ongoing commitment to progressing towards our numerical goals in terms of the Employment Equity Act. The Municipal Manager is responsible for monitoring the progress of the organisation's achievement with regard to its Employment Equity Plan.

The engagement between Management and Labour on Employment Equity targets is ongoing. That engagement seeks to clarify our approach on the implementation of the targets, specifically on whether organisational or departmental equity targets are to be used for recruitment and appointment of staff. Such clarity would assist in clearing confusion in this regard.

A table reflecting the eventual equitable representation for local population in respect of the Employment Equity Plan for the City of uMhlathuze as well as the numeric goals as per Council's current approved staff establishment is set out below.

EVENTUAL EQUITABLE REPRESENTATION FOR LOCAL POPULATION AND NUMERIC GOALS PLANNED TO BE ACHIEVED BY 2010

Progress made towards achieving our numerical goals since

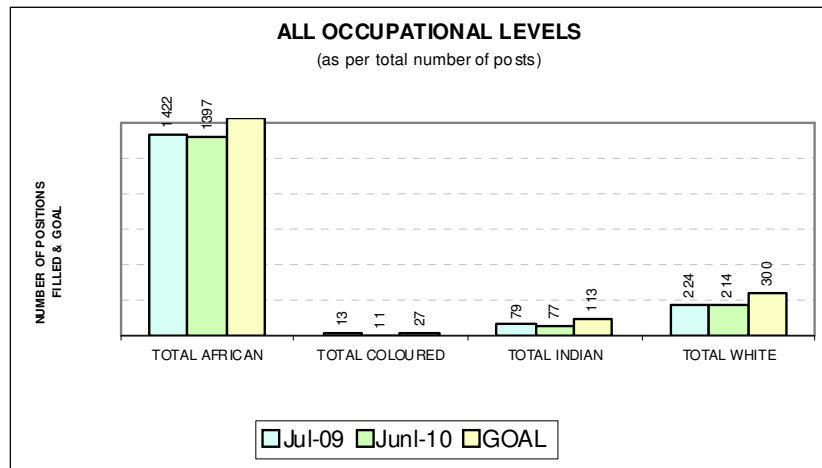
OCCUPATIONAL LEVELS	VACANT POSTS	DESIGNATED																NON-DESIGNATED				TOTAL POSITIONS FILLED	TOTAL POSITIONS PER LEVEL
		MALE						FEMALE								DISABLED		WHITE MALE		FOREIGN NATIONALS			
		AFRICAN		COLOURED		INDIAN		AFRICAN		COLOURED		INDIAN		WHITE									
		CUR	NUM GOAL	CUR	NUM GOAL	CUR	NUM GOAL	CUR	NUM GOAL	CUR	NUM GOAL	CUR	NUM GOAL	CUR	NUM GOAL	MALE	FEMALE	CUR	NUM GOAL	MALE	FEMALE		
CITY MANAGER & DEPUTY CITY MANAGER	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	2
TOP MANAGEMENT (21 - 23)	3	5	4	0	1	1	1	2	3	0	0	0	1	0	2	0	0	4	3	0	0	12	15
SENIOR MANAGEMENT (15 - 19)	25	24	28	0	1	2	6	7	21	0	0	1	5	9	11	0	0	22	18	0	0	65	90
MIDDLE MANAGEMENT, PROF QUALIFIED AND EXP SPECIALISTS (11 -14)	28	47	49	0	3	6	7	35	50	1	1	7	6	16	26	0	0	26	24	0	0	138	166
JUNIOR MANAGEMENT, SUPERVISORS, FORMAN, SUPERINTENDANTS, SKILLED TECHS AND ACADEMIC QUALIFIED WORKERS (5-10)	129	351	370	3	10	26	40	162	218	6	5	27	25	57	59	0	0	63	98	0	0	695	824
SEMI-SKILLED AND DISCRETIONARY DECISION MAKING (4)	91	495	404	0	4	2	14	268	388	1	2	5	8	4	23	0	0	12	36	0	0	787	878
TOTAL PERMANENT EMPLOYEES	277	923	855	3	19	37	68	474	680	8	8	40	45	86	121	0	0	127	179	0	0	1698	1975
TOTAL CONTRACTORS	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	2	2
GRAND TOTAL	277	924	855	3	19	37	68	474	680	8	8	40	45	86	121	0	0	128	179	0	0	1700	1977

June 2009 is as follows:

- Africans decreased from 1422 to 1397, leaving a gap of 138 to achieve goal of 1535
- Coloureds decreased from 13 to 11, leaving a gap of 16 to achieve goal of 27
- Indians decreased from 79 to 77, leaving gap of 36 to achieve goal of 113
- Whites decreased from 224 to 214, leaving gap of 86 to achieve goal of 300

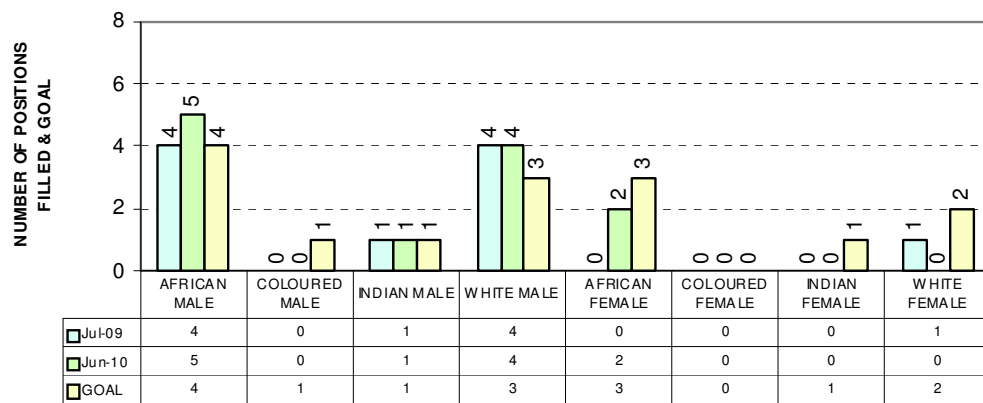
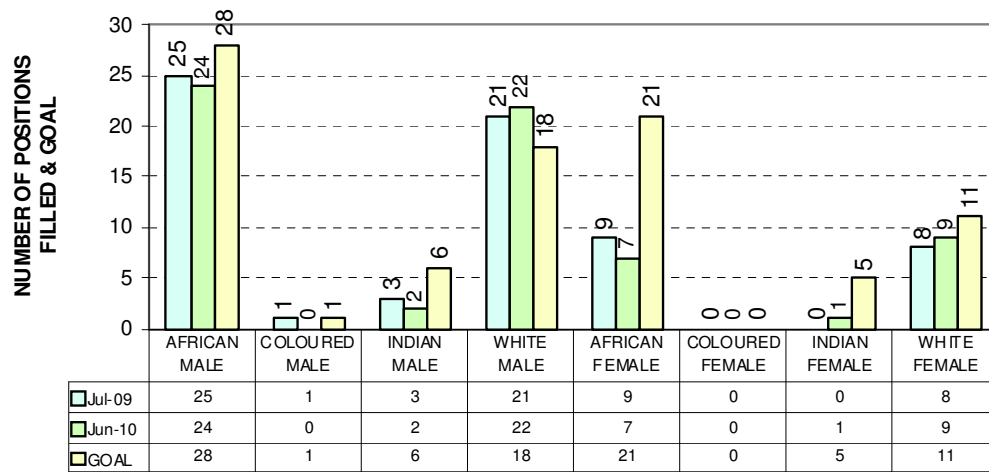
Below is a graph reflecting a comparison of the total workforce profile per race between June 2009 and July 2010 and the numerical goals.

Below are graphs reflecting a comparison of the total workforce profile according to the **occupational level** per race and gender between June 2009 and July 2010 and the current numerical goals.

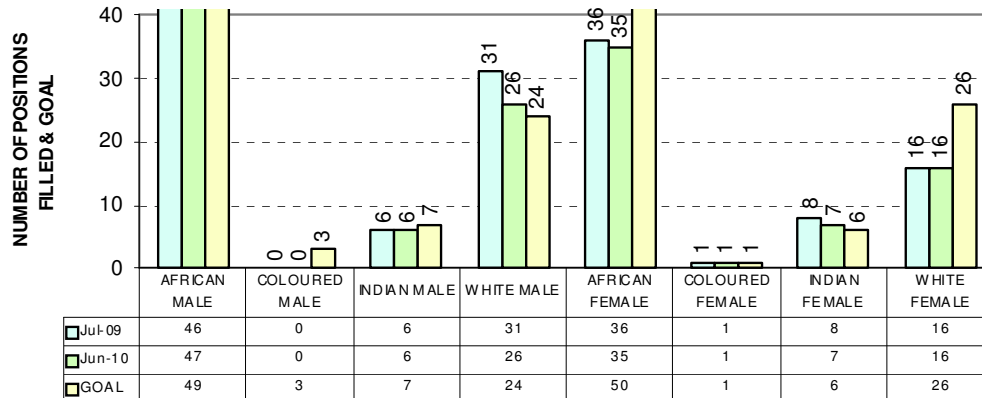


SENIOR MANAGEMENT

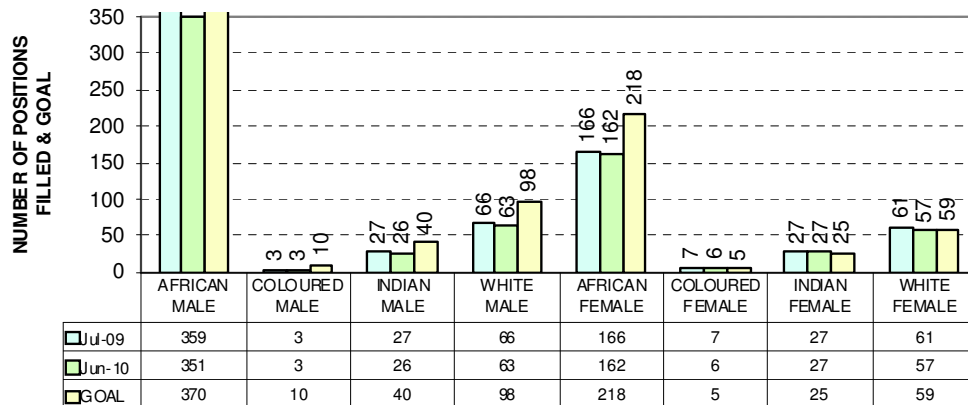
(JOB LEVEL 15-20)



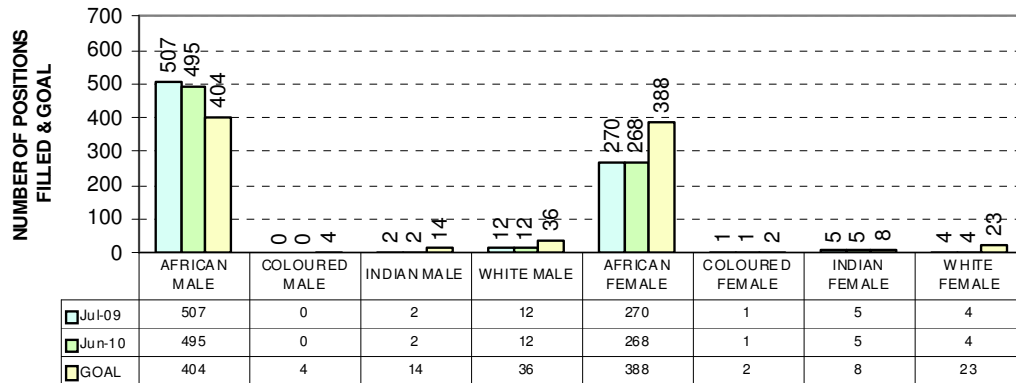
MIDDLE MANAGEMENT, PROF QUALIFIED & EXP SPECIALIST
(JOB LEVEL 11-14)



JUNIOR MANAGEMENT, SUPERVISORS, F/MEN, SUPTS, SKILLED TECH
& ACADEMIC QUALIFIED WORKERS
(JOB LEVEL 5-10)



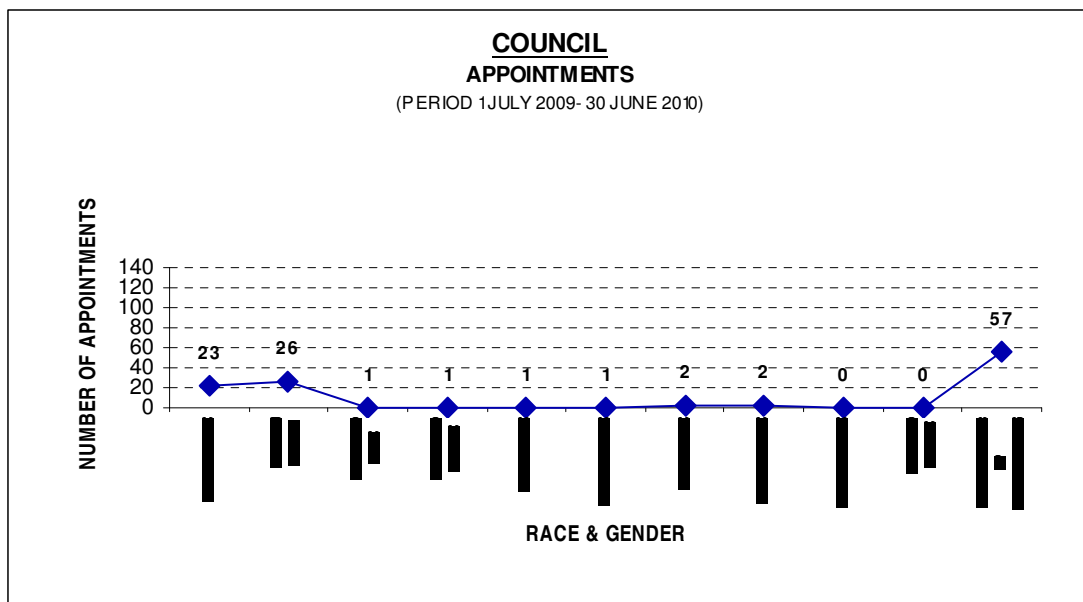
**SEMI-SKILLED & DISCRETIONARY DECISION MAKING, UNSKILLED &
DEFINED DECISION MAKING**
(JOB LEVEL 1-4)



The number of terminations (retirement, ill-health, resignation, dismissal, abscondment) affects the achievement of the numerical goals.

APPOINTMENTS (Period 1 July 2009 – 30 June 2010)

During the said 12-month period, 57 permanent employees were appointed of which 49 are African, 2 are Coloured, 2 are Indian and 3 are White.



BREAKDOWN PER RACE AND GENDER

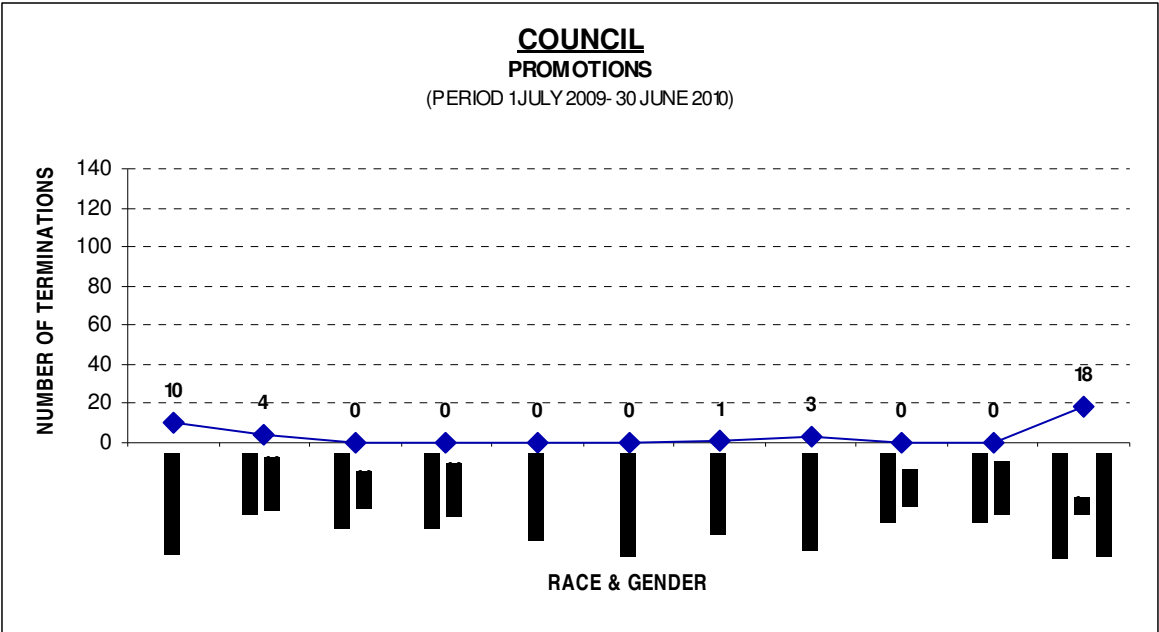
Tabled below is a breakdown of appointments made in Council per job level during the 12-month period:

BREAKDOWN PER JOB LEVEL

JOB LEVEL	AFRICAN		COLOURED		INDIAN		WHITE		DISABLED		TOTAL APPOINTMENTS PER LEVEL
	M	F	M	F	M	FM	M	F	M	F	
23	1	0	0	0	0	0	0	0	0	0	1
22	1	0	0	0	0	0	0	0	0	0	1
21	0	0	0	0	0	0	0	0	0	0	0
20	0	0	0	0	0	0	0	0	0	0	0
19	3	0	0	0	0	0	0	1	0	0	4
18	0	0	0	0	0	0	0	0	0	0	0
17	0	0	0	0	0	0	0	0	0	0	0
16	0	0	0	0	0	0	0	0	0	0	0
15	2	0	0	0	0	0	0	0	0	0	2
14	0	0	0	0	0	0	0	0	0	0	0
13	0	0	0	0	0	0	0	0	0	0	0
12	0	0	0	0	0	0	0	0	0	0	0
11	2	2	0	0	0	1	0	0	0	0	5
10	1	0	0	0	0	0	0	0	0	0	1
9	1	0	0	0	0	0	0	0	0	0	1
8	0	3	0	0	0	0	0	0	0	0	3
7	0	1	0	0	0	0	0	0	0	0	1
6	4	1	1	0	0	0	0	0	0	0	6
5	2	4	0	1	1	0	1	1	0	0	10
4	1	1	0	0	0	0	1	0	0	0	3
3	4	13	0	0	0	0	0	0	0	0	17
2	1	1	0	0	0	0	0	0	0	0	2
1	0	0	0	0	0	0	0	0	0	0	0
TOTAL	23	26	1	1	1	1	2	2	0	0	57

PROMOTIONS (Period 1 July 2009 – 30 June 2010)

During the said 12-month period, 18 permanent employees were promoted of which 14 are African and 4 are White.



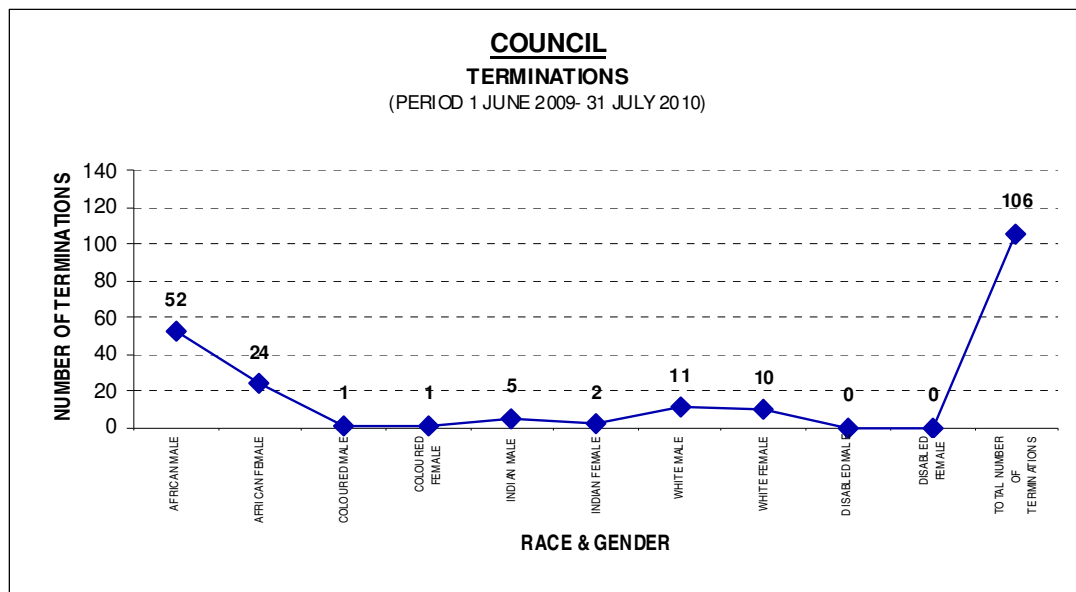
Tabled below is a breakdown of promotions in Council per job level during the 12 month period:

BREAKDOWN PER JOB LEVEL

JOB LEVEL	AFRICAN		COLOURED		INDIAN		WHITE		DISABLED		TOTAL APPOINT- MENTS PER LEVEL
	M	F	M	F	M	F	M	F	M	F	
23	0	0	0	0	0	0	0	0	0	0	0
22	0	0	0	0	0	0	0	0	0	0	0
21	0	0	0	0	0	0	0	0	0	0	0
20	0	0	0	0	0	0	0	0	0	0	0
19	0	1	0	0	0	0	0	0	0	0	1
18	0	0	0	0	0	0	0	0	0	0	0
17	0	0	0	0	0	0	0	0	0	0	0
16	0	0	0	0	0	0	0	0	0	0	0
15	0	0	0	0	0	0	0	0	0	0	0
14	0	0	0	0	0	0	0	0	0	0	0
13	0	0	0	0	0	0	0	0	0	0	0
12	0	0	0	0	0	0	0	0	0	0	0
11	4	0	0	0	0	0	0	1	0	0	5
10	0	0	0	0	0	0	0	0	0	0	0
9	0	0	0	0	0	0	0	0	0	0	0
8	3	1	0	0	0	0	1	0	0	0	5
7	0	0	0	0	0	0	0	0	0	0	0
6	0	0	0	0	0	0	0	2	0	0	2
5	2	2	0	0	0	0	0	0	0	0	4
4	1	0	0	0	0	0	0	0	0	0	1
3	0	0	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0	0	0
1	0	0	0	0	0	0	0	0	0	0	0
TOTAL	10	4	0	0	0	0	1	3	0	0	18

TERMINATIONS (Period 1 July 2009 – 30 June 2010)

During the said 12-month period, there were 106 terminations of which 76 were African, 2 was Coloured, 7 were Indian and 21 were White.



Tabled below is a breakdown of terminations in Council per job level during the 12 month period:

BREAKDOWN PER JOB LEVEL

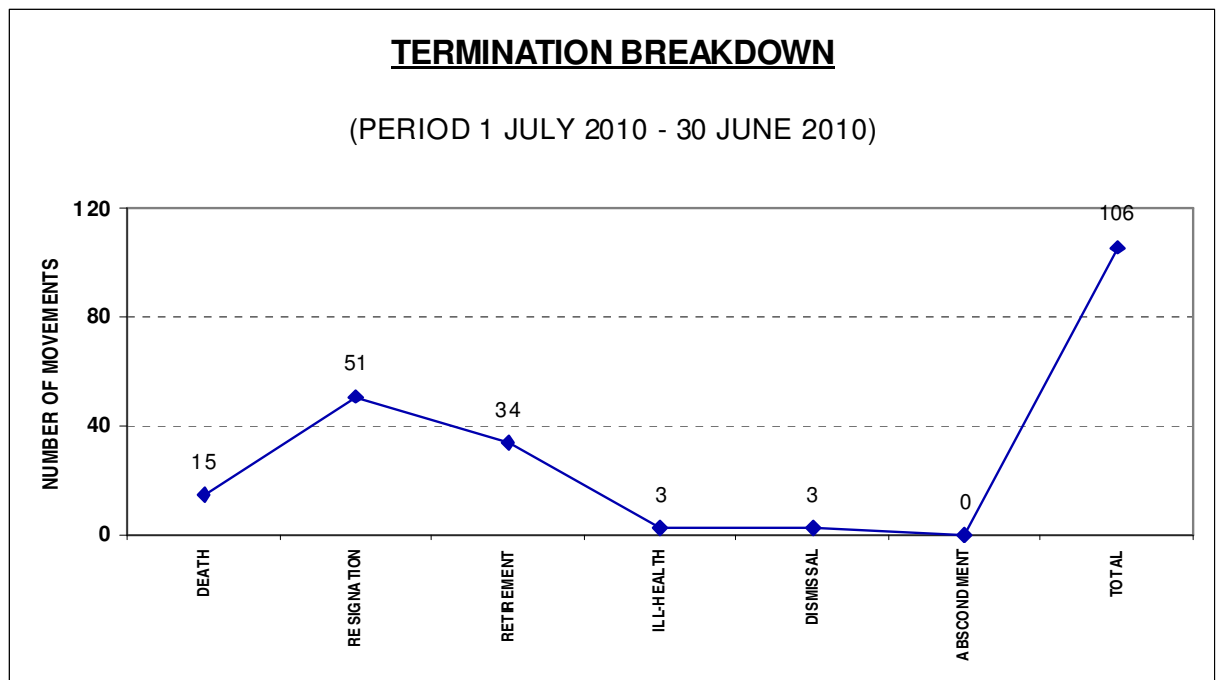
JOB LEVEL	AFRICAN		COLOURED		INDIAN		WHITE		DISABLED		TOTAL APPOINTMENTS PER LEVEL
	M	F	M	F	M	F	M	F	M	F	
T1 – C.E.O	0	0	0	0	0	0	1	0	0	0	1
22	0	0	0	0	0	0	0	0	0	0	0
21	0	0	0	0	0	0	0	0	0	0	0
20	0	0	0	0	0	0	0	0	0	0	0
19	1	0	1	0	2	0	1	1	0	0	6
18	0	0	0	0	0	0	0	0	0	0	0
17	1	0	0	0	0	0	0	0	0	0	1
16	0	0	0	0	0	0	0	0	0	0	0
15	3	1	0	0	0	0	0	0	0	0	4
14	0	0	0	0	0	0	0	0	0	0	0
13	0	0	0	0	0	0	0	0	0	0	0
12	0	0	0	0	1	0	2	0	0	0	3
11	1	4	0	0	0	1	3	2	0	0	11
10	2	1	0	0	1	0	0	1	0	0	5
9	1	0	0	0	0	0	2	0	0	0	3
8	4	0	0	0	0	0	0	0	0	0	4
7	0	0	0	0	0	0	0	2	0	0	2
6	10	2	0	0	0	1	1	3	0	0	17

5	3	8	0	1	1	0	1	1	0	0	15
4	7	1	0	0	0	0	0	0	0	0	8
3	17	7	0	0	0	0	0	0	0	0	24
2	2	0	0	0	0	0	0	0	0	0	2
1	0	0	0	0	0	0	0	0	0	0	0
TOTAL	52	24	1	1	5	2	11	10	0	0	106

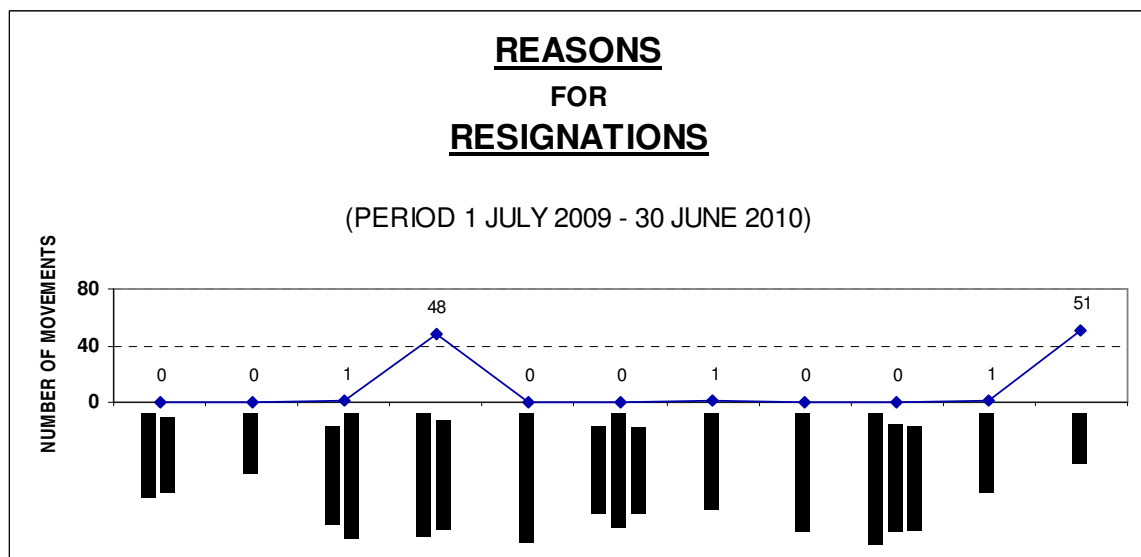
The graphs below reflect:

- a breakdown of terminations for the said period;
- a breakdown of the reasons for resignation; and
- a comparison between appointments made, promotions and terminations.

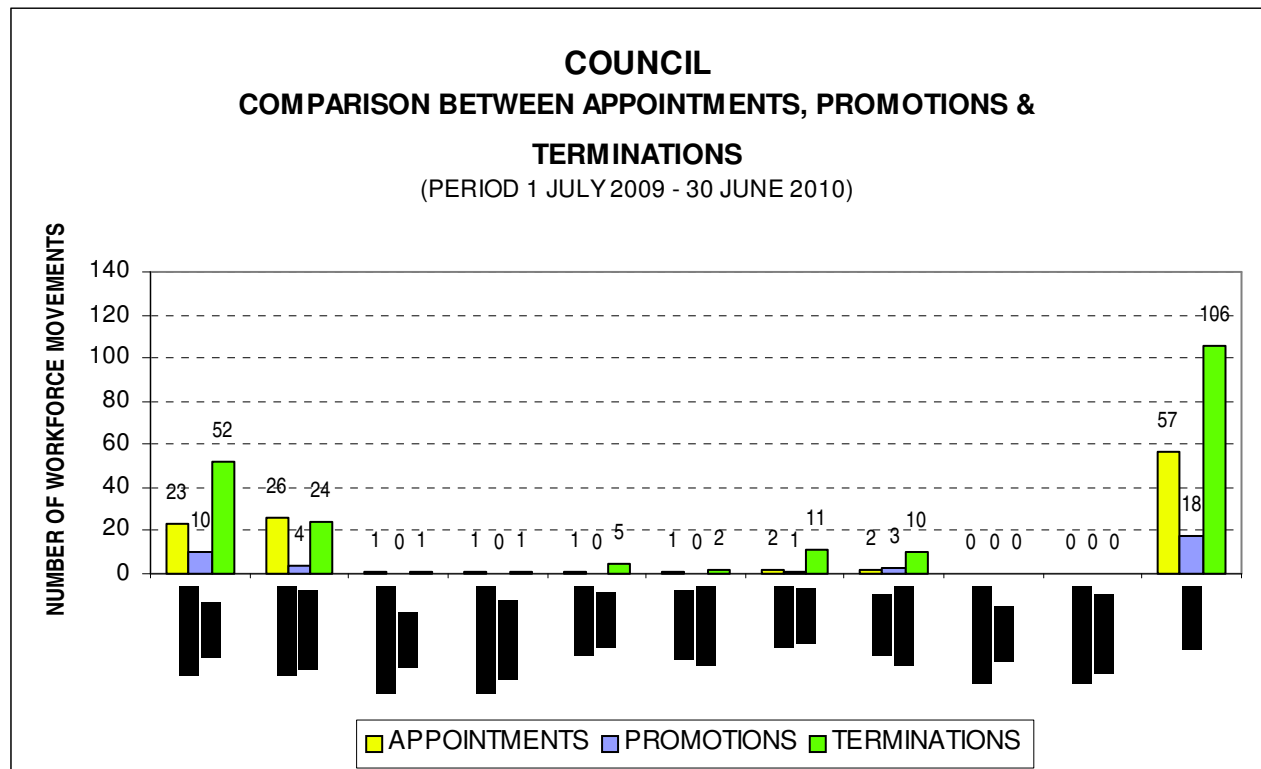
TERMINATION BREAKDOWN



RESIGNATION BREAKDOWN



COMPARISON BETWEEN APPOINTMENTS, PROMOTIONS & TERMINATIONS



It is imperative that Management appreciates the importance of balancing representivity within the organisation using the tools at its disposal. In this regard, both departmental and organisation equity targets are not mutually exclusive.

6.2. Human Resource Maintenance & Development Services

This branch exists to ensure job satisfaction among employees and promote a healthy working environment.

5.2.1. Employee Assistance Programme

The Employee Assistance Programme (EAP) is a worksite-based programme with the aim of early identification and resolving of employees problems that might adversely affect their work performance and productivity. All cases are treated on a strictly confidential basis and no one has access to the individual's information except by the written consent of the employee concerned.

During the 2009/2010 financial year, 453 employees were assisted and **753** basic counseling and trauma debriefing sessions were conducted.

The section launched an Employee Assistance in-house programme in September 2009, which was sponsored externally and was an astounding success. The programme is in line with EAPA SA (Employee Assistance Practitioners Association of South Africa) standards. The City's Senior EAP

Officer, Vikash Singh, was appointed KwaZulu-Natal Chairperson of EAPA in June 2010.

The section in partnership with Nedbank, conducted financial literacy training. In total 17 sessions were conducted and 468 employees attended.

Marketing was conducted in the form of handouts distributed to all depots and during induction, reaching **1 920** employees, thereby spreading important information regarding in-house assistance available to Council employees.

The City of uMhlathuze (Department of Corporate Services) has partnered with the SANCA Zululand for the second successive year in the Launch of the National Drug Awareness Week that was commemorated in June 2010. The theme of the Drug Awareness campaign for 2010 is "Think Health – Kick the Habit".

Human Rights Day was commemorated on 19 March 2010. This day is celebrated each year to remind ourselves of the great suffering and loss of life that accompanied the struggle for human rights in South Africa. Topics covered on this day included acknowledging our Basic Human Rights in the constitution including Equality (Section 9), Human Dignity (Section 10) and Freedom of Association (Section 18).

A Need Assessment Survey (also as per EAPS Standards) was conducted with all employees. The survey assists in implementing an effective programme by first establishing the needs of the organisation and then determining areas of concern where assistance is required.

5.2.2. Training and Development

The Workplace Skills Plan (WSP) is the strategic document that gives direction on training and development within the Municipality. This plan should be aligned to the National Skills Development Strategy in line with the Skills Development Act 98 of 1999 as well as the Skills Levies Act. The WSP and Annual Training Report are submitted annually to the LGSETA. Submission of these reports ensures that the Municipality receives its mandatory grant.

Council's financial position during the past financial year resulted in a decline in training co-ordinated by the section and only essential training was carried out in the last quarter.

The training budget in the 2009/2010 financial year was reduced from R2 million to R174 000. Even with the limited funds 144 employees were trained in the following:

Groupwise

Induction

Advanced Management Practices

Fire Fighter

Incident Investigation

Local Government Accounting Certificate Learnership

Driving license examiners

Fire Extinguishers
AllyCad

The budget was also used to fund the Executive Leadership in Local Government programme for six councillors.

An amount of R1 257 790.30 was received back from the LGSETA for compliance on skills legislation and the training completed in the 2008/2009 financial year.

5.2.3. SHE Risk Management

This section provides support to both management and employees thereby ensuring that systems are in place to provide a safe and healthy working environment for all persons. The section is primarily governed by the Occupational Health and Safety Act 85 of 1993, and the COID Act.

Incident investigation

Since the implementation of the new incident investigation procedure, employees have shown an avid interest in the investigation process. The backlog of outstanding incidents has also decreased considerably.

SHE training and awareness

Employees attended the following in house training during the year:

1. Induction
2. Fire Extinguisher
3. SHE Incident Investigation training
4. SHE Rep Awareness Workshop

Due to financial constraints and budget cuts, there was no external training held since July 2009.

Weekly safety messages are distributed to all employees to foster the ideology of safety being a way of life. These messages are then used as toolbox talk topics by SHE representatives.

COID (Compensation for Occupational Injuries and Diseases) Road show

The SHE Section went out to workplaces and depots and conducted information sharing sessions with employees on Workmen's Compensation and related matters. The road show was a huge success due to active participation by those who attended and exciting competitions were held with great prize give-aways.

The aim of the COID road show was to create awareness amongst all employees within the organisation, in order to establish a clear understanding of the COID Act. During the road shows various topics were discussed such as incident investigation, near misses, suggestion schemes and SHE promotion.

SHE Representative Inspection Workshop

The workshop aimed to help safety reps identify possible hazards at the workplace and to mitigate any physical risks to ensure the health and safety of all people in the workplace.

Areas of concern discussed during the training were:

1. Resolving issues within the department before they are escalated;
2. Determining the underlying causes of hazards; and
3. Bringing SHE issues to the attention of management for resolution.

HIRA WORKGROUP

The HIRA Work Group was established by the Acting City Manager (ACM) following the HIRA presentation to the Management team in October 2009.

Members serving on the work group were selected by the ACM and the task of this forum was to address the issues raised in the HIRA report as prepared by an external consultant during 2009.

PPE Policy

A Personal Protective Equipment (PPE) Task Team was formed to re-look at the policy, make recommendations and determine a positive way forward, addressing inherent problems experienced by employees with regard to PPE.

A resolution was taken at these meetings that a Risk Assessment be conducted in sample sections to determine PPE requirements per section. The revised PPE Policy would only be implemented after the next PPE tender.

Policy – intoxication on duty

A task team was formed, whose mandate was to document a policy for dealing with the problem on intoxication on duty. The Task Team visited HP Billiton to share information on procedures or control measures to prevent intoxication at the workplace. Following the visit, the draft policy had to be revisited by the task team in view of incorporating the recommendations emanating from the visit.

DRAFT POLICY - TRANSPORTATION OF EMPLOYEES

A transportation policy Task Team was established to draft a policy on safe transportation of employees, and the draft policy served before the Management Service portfolio in June 2010.

Asbestos Programme

A task team consisting of representatives from Civil Engineering Services, an environmental consultant and safety officers, was established in order to deal with Council's Asbestos Programme.

The objective of the task team is to document, implement, monitor, evaluate and report to Management on the progress this Council has made and is making with

regard to replacement and interim management of asbestos- containing materials and installations within the City of uMhlathuze.

The Asbestos programme is headed by the Engineering Section as custodians of all Council buildings. It also involves the Waste Management and SHE Risk Management Section as co-ordinators. The main concern is that there is a lack of funding available for this important matter.

5.2.4. Labour Relations

Council makes a concerted effort to maintain a healthy relationship with its employees, priding itself on high standards of discipline and adherence to sound policies and procedures.

In an effort to strengthen and improve Industrial Relations, the Management component of the membership in the Local Labour Forum was reconstituted. This change was necessary to shift the functionality of the Local Labour Forum from dealing with day-to-day matters to strategic issues.

The need to undertake review of Council's Human Resource Management policies as well as improving the functionality of the section, was identified, and to this effect, the following policies were reviewed:

Acting Arrangements Policy
Recruitment and Selection Policy
Anti Nepotism Policy

During the period 2009/2010, the following activities were recorded:
Key areas of Misconduct Reports and Outcomes

Date	Count	Misconduct	Outcome
01 July 2009 to 30 June 2010	4	Absenteeism	Verbal Warning
	2	Absenteeism	Dismissed
	2	Absenteeism	Written Warning - EAP
	1	Absenteeism	Final Warning
	2	Absenteeism	Written Warning
	1	Intoxicating	Written Warning
	2	Unauthorized use of Council Vehicle V0180	Written Warning
	1	Tampering with Council Vehicle V1174	Final Warning
	2	Insubordination	Verbal warning
	1	Damage to Council property V0417	Written Warning
	1	Fraud	Resigned
	1	Theft	Suspended 10days
	3	Negligence	Verbal Warnings
Total no of cases:	23		

Union Matters

Allocated Union Meetings:

Constituency Meeting – 2 Hours per month
Shop Stewards Meeting – 2 Hours per month
General Meeting - Maximum 4 per year for 2 hours
Meeting for Elections 3 Hours per Constituency

Workforce Representation:

South African Municipal Workers Union (SAMWU): 22 Representatives (Majority Union)
IMATU: 6 Representatives

5.3 Management Information Services

Information Communication Technology (ICT) services are outsourced to GijimaAST. In the 2009/2010 financial year, KPMG was appointed to conduct an analysis of the as-is scenario of the ICT section, provide an insight of the situational analysis, develop a Master Systems Plan (MSP) and review the ICT strategy of the organisation. Emanating from the KPMG report and ICT strategy review report, a cost-benefit analysis was conducted to ascertain the return on investment, the value add of the ICT outsourced contract and the inherent risks on intellectual property (IP), skills base, business knowledge and/or intelligence. It was ascertained that the total cost and inherent risk outweighs the benefits of the outsource strategy.

The City of uMhlathuze has recently appointed the ICT deputy manager to champion, manage and play an advisory role to senior management regarding

strategic matters of ICT section. He is also responsible for management of all service providers, value add services and ICT related functions.

The City of uMhlathuze also seeks to align and comply with best practices as outlined in the King III Report based on COBIT (Control Objectives for Information and Related Technology). This has been developed as a generally applicable and acceptable standard for good information technology (IT) control practices and provides a reference framework for management, users, ICT audit, control and security.

Based on the results of the cost-benefit analysis a report was submitted to Exco and Council. A decision was taken to in-source all ICT functions to enable the Municipality to have full control of the ICT function. The cost-benefit analysis report further indicated savings that would be derived from the in sourcing strategy. However best practices dictates that annually, an in source ICT service delivery strategy has to be developed for comparison to the outsource strategy to measure performance.

A reviewed five month contract extension was granted to GijimaAST to enable the Municipality to finalise the structure of its ICT section structure, develop job descriptions and appoint staff. A change management strategy has been crafted to ensure a seamless transition from outsource to in-source.

In the 2009/10 financial year the Information Communication and Technology section fulfilled the City's aspiration to have CCTV cameras installed in high crime areas in the City. The initiative will reduce crime to make the City safer. Other achievements include;

- Various enhancements/ tools specific to the GIS environment, e.g. Cadastre tool, operational report pertaining to Mobile GIS and the capture of farm boundaries.
- Replacement of the outdated Public Application Library System (PALS) with the Brocade Library system. Libraries across South Africa are migrating to this Open Source technology in line with government's IT Strategy and the City of uMhlathuze was chosen to launch the project in KwaZulu-Natal.
- A new electronic application system for Electricity & Water Services, Services & Application System (SAS), is about to go into production.
- Phase I of the Laboratory Information Management System (LIMS) was deployed. LIMS is required as a necessity to manage the data integrity and improve the quality of the laboratory operations.

Other ICT enabled initiatives are still in the distant future but include an ICT infrastructure upgrade and the installation of fibre to all City suburbs for the digital city concept roll-out. This concept has been rolled out in other cities and would add value to citizens of uMhlathuze.

Performance Management and Business Efficiency (Corporate Database Services)

Performance Management and Business Efficiency aims at promoting and developing a culture of good governance. In order to manage performance of departments and individuals in the organisation, a dedicated section attends to issues relating thereto. Presently this function is completely outsourced to GijimaAST.

The section is responsible for reporting quarterly on progress on targets for all seven national key performance indicators (KPI'S). Reporting on these targets is essential and comparative analyses on previous quarters will provide feedback on Council's service delivery performance.

To promote business efficiency Management intends undertaking an internal organisation / Employee Climate Survey. The survey would indicate to Management the level of employee job satisfaction thereby enabling Management to identify and implement action plans to remedy any problems identified so as to increase employee morale and productivity.

DEPARTMENT OF FINANCIAL SERVICES

NATIONAL KEY PERFORMANCE AREA: FINANCIAL VIABILITY

MUNICIPAL STRATEGIC PRIORITY: SOUND FINANCIAL MANAGEMENT

Divisions within the Department

- **Financial Planning, Budget Reporting, and Budget Management**
- **Expenditure Management**
- **Supply Chain Management**
- **Income Billing Management and Reporting**
- **Customer Relations Management & Indigent Support**
- **Financial Accounting, Reporting and Assets Management**

1. INTRODUCTION

Municipal finance must follow certain practices and conventions set out by the accounting profession and National government. The Municipal Finance Management Act provides clearly what needs to be done, by whom and when. It is therefore imperative to take cognisance of how finances are managed in a municipal context because financial management is a cornerstone of any organization.

The environment within which decisions are taken and services delivered creates a web of stakeholders whose interest and influences must be acknowledged, understood, managed and balanced. This requires that annually, as an organization we report to all stakeholders the business outcomes of the Municipality. In as much as the Municipality has a cash flow challenge due to a number of reasons, it is gratifying to see a positive gradual change in the outlook in terms of the Municipal finances. The most valuable assets that this Municipality has are its employees and they have shown that team work is the best vehicle to service delivery.

The 2009/10 financial year was an eventful year for the Country and the Municipality given the prevailing market condition which took a heavy toll on many businesses. Given the financial challenges that the Municipality is faced with, it remained relatively resilient and came through the financial year better than anticipated. It must also be noted though that the Municipality is not out of the financial dilemma yet, but with strict financial controls it is expected to recover soon.

HIGHLIGHTS FOR 2009/10

- ❖ Unqualified audit opinion received from Auditor General.
- ❖ 118 % of City's capital budget spent.
- ❖ 109 % of City's operating budget spent.
- ❖ 98% of City's revenue collected.

2. INTERNSHIP PROGRAM

As part of the Municipality's developmental commitment, five Financial Management Interns were appointed during this period. This program is funded by National Treasury through the Financial Management Grant.

Interns work on a rotation basis and they have Personal Development Plans which were developed for them. The progress on this program is very satisfactory, especially in the absence of no other institutional platform providing a suitable stepping-stone for aspirant local government financial managers.

In the past this Municipality has appointed its Interns on a permanent basis at the end of their Internship Program. Ironically, all those interns that were appointed on a permanent basis are now performing key functional arrears. ie Budgeting and Financial Statements. It is therefore important to acknowledge the role played by the National Treasury in the development of graduates in the country through this program.

3. EXECUTIVE SUMMARY OF ACCOMPLISHMENTS IN THE RESPECTIVE DIVISIONS

Financial Planning, Budget Reporting, and Budget Management

An event at the end of the 2008/2009 financial year requires mentioning i.e. the Municipality found itself in a unprecedented cash flow predicament due to R137m worth of capital expenditure not being funded from the budgeted source of income, which was as a direct result of the cancellation and delay of over R230m worth of Municipal land sales due to the down turn in the local and international economy.

The Financial Planning, Budget Reporting and Budget Management Section, spent the bulk of their energy during this reporting period in firstly assisting the Administration implementing and monitoring over 60 cash flow improvement and expenditure cost cutting interventions and secondly in implementing the extremely onerous National Treasury Budget Reforms.

Success in these two challenging arenas is clearly evident, with the Operating Budget, now within a short period of 12 months already in a healthy state and clearly following a very straight trajectory. Secondly, from on site assessments done by National Treasury, they are very pleased with the financial governance of the Municipality. Another independent indicator that the Municipality is financially heading in the right direction is that from the Banking Sector four bids were received for long term loan tenders for the 2010/11 financial, this on the back of financials for the 2009/10 year and future years forecasts.

4. EXPENDITURE MANAGEMENT

Curtailling Expenditure

The 2009/10 financial year required a change in mind set of all staff and councilors in terms of how the Municipality spent its finances. It was not business as usual due to a serious cash flow challenge. Importantly the finance team had to drive a process of making all employees understand why certain things had to be done differently. It was also gratifying to see the support of all stakeholders including the labor component, and that made it easier to stop all nice to haves and concentrate on key service delivery issues within the limited resources.

The statistics provided below indicates a substantial reduction in Expenditure in 2009/2010, compared to the previous financial year, this a result of the financial constraints faced by the Municipality.

Close co-operation amongst all staff and the SCM Unit ensured that stricter control measures were put in place to manage materials. This exercise resulted in materials being easily traced from the Stores to the actual job where it is utilized.

Materials held in Departmental Stores that were found to be excessive were returned to the SCM Unit. Part of that project was to afford staff from user departments an opportunity to receive training at the SCM Unit, and apply it at their respective workplaces.

Supply Chain Management

Besides the excellent work performed by the SCM Unit in assisting with the demand management referred to above, the following are some key achievements.

Advertising of Council's requirements below R200 000

In an effort to afford as many role players in the market an opportunity to participate in Council's Supply Chain process, a system was introduced whereby **all** contractual work, as well as all Supply Requirements, is advertised on all Council Notice Boards.

In addition, all requirements in excess of R30 000 are advertised on Council's Website.

Bid Committees

Bid Committees were restructured during the 2009/2010 financial year and have functioned well. Due to Provincial Treasury's financial constraints, no training of Bid Committee members took place this year. It is envisaged that this situation will improve in the new financial year.

The department is proud of the sound governance in the SCM environment. One aspect of illustration for this sound governance is the impressive stock control figures below:

	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Stock Purchases	12,784,765.00	15,658,855.00	21,724,696.00	18,069,290.00	30,674,268.00	35,842,571.00	51,958,943.00	30,578,442.73
Stock Issues	12,712,110.00	15,285,511.00	19,728,350.00	19,553,022.00	29,574,477.00	34,153,657.00	48,930,073.00	28,322,528.07
Redundant	325,989.00	196,150.00	103,937.00	126,704.00	-	97,814.00	265,556.00	5,865.20
Shortages	218,765.00	140,120.00	63,345.00	41,456.00	70,860.00	9,627.00	8,112.34	36,980.64
Surplusses	397,796.00	157,001.00	54,271.00	56,514.00	22,367.00	14,251.00	55,795.00	23,799.47
Percentage Discrepancy on total transactions	1.14%	0.50%	0.14%	0.11%	0.07%	0.16%	0.03%	0.06%
Direct Purchases	28,419,515.00	28,411,588.00	41,886,627.00	49,141,660.00	77,244,248.00	72,331,415.00	133,503,820.00	45,320,328.68
Total Transactions	53,916,390.00	59,355,954.00	83,339,673.00	86,763,972.00	137,492,993.00	142,327,643.00	234,392,836.00	104,221,299.48

This division ended off the year on a very good note, where after extensive audit by the Auditor General on all aspects of SCM Compliance for the 2009/10 reporting period, the view held by the Auditor that all aspects of compliance are intact.

5. INCOME BILLING MANAGEMENT AND REPORTING

Below are the annual tariff increases for the past 6 years and comparatively speaking the City of uMhlathuze is one of the cheapest city's to live in. From these tariffs it is clear that the Municipality does protect the poor and its citizens at large by not increasing tariffs to unaffordable services to which then uncontrollable bad debts would emerge.

ANNUAL TARIFF INCREASES						
Year	Rates	Water	Electricity	Refuse	Sewer	CPI
2004	10.00 %	13.5 %	11 %	8 %	10 %	5.1 %
2005	7.50 %	13 %	3.8 %	7.5 %	7.7 %	4.2 %
2006	8.00 %	0 %	4 %	0 %	0 %	3.5 %
2007	6.00 %	6.5 %	5.9 %	6 %	4.1 %	6.6 %
2008	8.00%	10.00%	28.00%	6.00%	6.00%	14.00%
2009	13,6%	5,00%	20,00%	7,00%	5,00%	11,5%
2010	12,8%	11,64%	31,00%	9,8%	9,8%	4,2%

Tariffs

Tariffs were determined with a view to be pro-active for example by adding another scale at the top consumption level of the water residential and commercial tariffs. This was a big challenge as the objective was still to ensure that tariffs must be affordable in a negative economic climate.

Emphasis is placed on increasing the revenue base of the Municipality by an initiative to establish a Revenue Protection Section in the Finance Department early in the new financial year.

Property Rates

After the successful implementation of the new Municipal Property Rates Act in July 2008, this Municipality has already received and implemented a Supplementary Roll No 8.

This ensures that the Municipality updates the property valuations regularly with new developments and improvements on properties in general and charge owners accordingly. Accordingly the Provincial Government have appointed an appeals board that looks at all appeals from the citizens of the City.

Billing

Electricity and water meters readings are performed, processed and posted monthly to ensure that all account holders receive accurate accounts and that a high payment rate is maintained.

6. CUSTOMER RELATIONS MANAGEMENT & INDIGENT SUPPORT

Debt collection

The financial crisis has deepened and the collection of monies has been very difficult. The department however still obtained an average debt collection ratio of 98.67%, despite these difficult times.

The overall payment rate for the past six years is illustrated below:

Year	Payment Rate
2004/2005	99.59
2005/2006	99.34
2006/2007	101.81
2007/2008	98.74
2008/2009	98.56
2009/2010	98.67

More specifically, the following is the assessment for the financial year ending 30 June 2010.

Over the year this Municipality has done very well with the collection of its revenue although 2009/10 has been difficult we managed our standard. The

Finance department is very strict when it comes to the implementation of the approved Debt and Credit bylaws, hence the good results.

Total Debtors (Nett of Provisions as per Financial Statements)

The global economic crisis also had an effect on the total outstanding debtors from residential to large industrial.

Collection Ratio / Debtors Turnover Ratio / Payment Ratio – For Consumer Debtors

Suburb	Debt Collection Ratio – In Days	Debtors Turnover Rate - %	Average Payment Rate - %
Richards Bay	28	7.68	99.91
Vulindlela	84	23.09	97.48
eNseleni	142	39.03	86.46
eSikhaleni	107	38	99.00
Sundry Debtors	40	6	102.49
Empangeni	50	11	95.33
Ngwelezane	179	49	85.71
Average	39.05	10.70	98,67

- The debt collection ratio is for the 12-month period preceding 30 June 2010.
- The debtor's turnover rate represents the outstanding debtors' amount expressed as a percentage of the last 12 months billed revenue.
- The payment rate is the average of the 12 months proceeding 30 June 2010.

7. FINANCIAL REPORTING

The Municipal Finance Management Act prescribes that monthly and quarterly reporting must be submitted to council on specified times, and I'm proud that all these reports were submitted and on time. The National and Provincial Treasury can attest to this as they received copies of these reports.

The annual financial statements are produced in house in a team effort basis with a champion collecting all necessary information and putting into this very important document. This approach does not capacitate only an individual but a number of employees within the department. What is key though with approach is communication and supervision with

the understanding that ultimately the CFO is responsible for producing accurate and quality set of financials.

8. EXPRESSION OF APPRECIATION

I wish to convey my sincere appreciation to the Mayor, the Chairperson and members of the Finance Portfolio Committee, the Executive Committee, the Audit Committee, SCOPA, the Acting City Manager and the Senior Managers for their support and co-operation received during the year.

A special word of gratitude to all financial staff for their contribution in making sure that all the ever so pressing deadlines are met, and to the staff of the Auditor –General, for conducting the external audit and for their assistance, support and co-operation during the 2009/10 financial year.

DEPARTMENT OF CITY DEVELOPMENT

- Land Use Management
- Human Settlement
- Communications
- Property Administration
- Local Economic Development
- Development Administration
- Strategic Development, Environmental Planning, IDP

1. Land Use Management

Following on presentations of the Land Use Management project to Council, whereby the background in terms of legal compliance, as well as the purpose and functionality of a Land Use Management Scheme was explained, it was resolved by Council to continue with a public awareness programme. In order to limit costs to the minimum, it was decided to combine the public awareness presentations with the 2009 Integrated Development Plan Review. During September, October and November 2009, a number of public meetings were held with a dual purpose of explaining to the public, issues around the Land Use Management Schemes, the legal requirements thereof, how it fits in with the Integrated Development Planning process, the necessity of land use control and zoning mechanisms, etc.

The same clusters, consisting of various wards, as applied in the case of the IDP Review public participation meetings, was applied for the purpose of the LUMS public awareness meetings. The business, environmental, agricultural and other possible interested sectors were invited to the Stakeholder Forum meeting.

In view of the repeal of the Natal Town Planning Ordinance, No 27 of 1949 as amended, in mid 2010, and the coming into effect of the new Planning and Development Act, this process now has to continue and during the next phase, the draft Land Use Management Scheme has to be finalised and advertised for public comment, where after it can be finally considered by Council and the Provincial Authority for adoption.

2. Human Settlement

2.1 eSikhaleni Hostels/Flats Refurbishment

Eights hostel blocks (144 units) situated at erven J223, J1083 and J1169 have all been successfully refurbished. This has seen a total number of 144 families benefiting in line with the adopted re-development approach. The Provincial Department of Human Settlements has approved Council's business plan for additional funds, which will enable the Municipality to proceed with the refurbishment of the outstanding ten blocks, five of which have been partially refurbished.

As part of the flats re-development program, Council has assisted the hostel displacees with an opportunity to benefit from the low-income housing scheme at Umhlathuze Village. More than 120 low-income houses have been set aside for this purpose.

By its very nature, the hostel re-development programme is a daunting exercise, given the numerous expectations and the sense of entitlement by the hostel dwellers. This requires constant consultations and communication in order to avoid opportunistic influences. Co-operation between Council leadership and the officials has ensured the proper management of such issues.

Interestingly, in the recent months, the Municipality has been inundated with requests even by non hostel residents also seeking to benefit or buy the revamped units. This pays tribute to the significant visual improvement of the units compared to before any refurbishment had taken place.

2.2 Urban Housing Projects

Aquadene Housing

This is a housing project also prioritised in terms of Municipal Housing Sector Plan. There is obviously huge demand to be satisfied given the ideal location of the project particularly its close proximity to employment opportunities in Richards Bay. Although it is still early days before the actual implementation, the public participation in terms of the Environmental Impact Studies has been met by huge public interests and enthusiasm.

Consideration is currently being given to ways with which the project can be fast-tracked to provide much-needed housing relief.

Umhlathuze Village

Processes towards the implementation of Phase V are well underway. This Phase comprises of 313 houses. Engineering contractors have completed the installation of engineering services, including water and sewer reticulation, internal concrete roads etc. Beneficiary registration has also been undertaken. The construction programme has been approved by Province and this has perfectly set the project up for the laying of slabs and the top structure construction.

The beneficiary registration process was crafted in such a manner that it responded to housing challenges experienced by the Municipality. This strategy has made it possible for the Municipality to target the most vulnerable people/households including the elderly, disabled and orphans. Hostel displacees have also been assisted in order to smooth the hostel redevelopment programme.

In surging ahead Council has directed that plans for the implementation of Phase 7 be activated. Phase 7 will yield about 587 houses. Necessary documentation has been compiled for consideration by Province.

2.3 Rural Housing

Four Rural Housing Projects each for KwaMkhwanazi, KwaKhoza, Madlebe and KwaDube Traditional Authorities are undergoing the prerequisite pre-implementation processes. Public consultation is proceeding smoothly thanks to co-operation by all stakeholders and role players. In total these projects are expected to yield about 5 500 houses. Government housing policies are being workshopped to ensure broader understanding by the communities.

3. Communications

State of the City Address

In keeping with the Municipality's financial prudence, Mayor Zakhele Mnqayi hosted a low budget State of the City Address, which did nothing to detract from the auspiciousness of the occasion. As part of celebrating the City's milestones, the event showcased local entertainers thereby highlighting the high standard of talent in uMhlathuze.

Newsletters

The Municipality distributes 65 000 newsletters on a monthly basis to its residents to keep them informed about decisions of Council and any issues relevant in the municipal area that may impact on their lives. The Public Relations section has also been instrumental in attending to press releases and co-ordinating media related activities on behalf of Council.

SMS System

The inception of an SMS system to relay urgent and important information to Councillors and the community has proven to be of great benefit to those who have registered for this free service. The public is alerted to any possible interruptions in service delivery in their neighbourhoods, and Councillors are informed of any changes to scheduled meetings or of matters requiring their urgent attention. This system enhances Council's means of communication and is set to become even more popular as more users register to receive community based messages.

Public Participation

The level of interest shown by the public during both the IDP and Budget public participation processes improved significantly in 2009. By encouraging public involvement Council was able to hear the community's views regarding needs so that priorities could be ascertained. The meetings also created an opportunity to build a general understanding by communities about municipal systems, local government competencies and other such matters.

Due to Council's commitment to community needs they are encouraged to list their priorities as all inputs from the public are carefully considered. Although there was improvement in attendance at public participation meetings, innovative

ideas were brainstormed to create interest in those ward clusters where attendance was still unsatisfactory.

4. Property Administration

MANDLAZINI TOWNSHIP ESTABLISHMENT

Social survey and transfer process

Siyazama Consulting has a R2,5 million contract to finalise the town planning at Mandlazini Agri Village with a view to effecting transfer of erven to private ownership. To date a total of 324 of the 342 original beneficiaries have come to the Siyazama office at Mandlazini and provided all the information required to effect transfer.

Siyazama also found that 67 of the 570 beneficiaries are deceased. The whereabouts of 41 of the 570 are unknown. It appears that a further 30 can be traced. It is therefore, an ongoing process to obtain information.

Layout plan approval and opening of township register

Siyazama, started with only a layout on paper for Mandlazini. They therefore, had to go and check the survey pegs and measure and check the boundaries.

This process confirmed the survey details and the Mandlazini General Plan has been submitted to the Minister of Land Affairs for formal approval. Once approved, the General Plan will be submitted to the Surveyor General.

Subsequent to approval by the Surveyor General, the General Plan will be submitted to the Register of Deeds together with Draft Title Deeds conditions. A Township Register for Mandlazini will then be opened that will reflect the original layout of 570 erven.

Airport corridor

It was also reported that the occupants of the Airport Corridor area have formalised themselves into a committee, which is liaising and co-operating with the consultants.

The Airport Committee emphasised the existing needs of the extensive settlement and requested that attention be given to the provision of water and basic services to the area. It appears from Airport Committee feedback to the consultants that some water connections have already been made.

Dispute resolution

A dispute resolution mechanism has been created to deal with various cases to determine:

- Claims of ownership
- Displaced beneficiaries
- Legal succession (heir) of deceased beneficiaries
- Re-allocation of erven of untraceable beneficiaries

The consultants will prepare legal guidelines, which will deal with matters regarding property disputes. A sub-committee referred to as Dispute Resolution Steering Committee which, consists of six members (three members elected from the community and three officials from the Council) will investigate such disputes and make recommendations to the Trust to take decisions.

Administrative control of the Mandlazini Community Hall with regard to bookings, security, maintenance and cleaning services will be taken over by Council as part of the Mandlazini formalisation project.

Plans are to budget for the same exercise in the Mzingazi area for 2011/2012.

VALUATION SECTION

PROPERTY RATES ACT

In accordance with the Property Rates Act, Act No 6 of 2004, Council is responsible for the progress with the implementation of the Act with specific reference to the finalisation of Supplementary Valuation Rolls.

The Seventh Supplementary Roll was received on 19 April 2010 and dealt with 1 372 properties with a net effect of R673 322 000,00 of value added to the General Valuation Roll. All objections relating from the Seventh Supplementary Roll has been dealt with by Council's Valuer and ratepayers' accounts will be rectified accordingly. The total value of the Consolidated Roll (GV, SV1, SV2, SV3, SV4, SV5, SV6 and SV7) amounts to R33 625 560 941,00.

The Eighth Supplementary Valuation Roll is scheduled for the end of August 2010 and will be published early in September 2010. This roll will focus mainly on the valuing of all outstanding lease agreements as well as new additions to properties, consolidations, subdivisions and transfers. It is estimated that about 1 000 properties will be included and dealt with in the Eighth Supplementary Valuation Roll.

METVAL IMPLEMENTATION

Metropolitan Government Systems (Metgovis) has developed a computerised, municipal property valuation management system, designed specifically for use

by municipalities to assist them in the compilation, administration and maintenance of their valuation rolls.

CB Richard Ellis Mass Appraisals (Pty) Ltd (CBRE) has successfully assisted Council to create and implement the General Valuation Roll as well as seven Supplementary Valuation Rolls. The capturing and processing of all the data for the Seventh Supplementary Roll was successfully implemented and generated through the Metval programme and the Section 49(1) Notices were also generated through Metval. The Metval and Promis systems need to be balanced every two weeks on an ongoing basis as data cannot be captured into Metval without the system first being balanced. This is an enhanced feature of the system, in that it ensures correct data from the outset.

ESTABLISHMENT VALUATION APPEALS BOARD

The Valuation Appeals Board for the District of Lower Umfolozi commenced with operations on 11 August 2010 and will continue its operations every Wednesday until all appeals have been dealt with. Five appeals were dealt with on 11 August and appellants have already been informed of the decisions taken by the Valuation Appeals Board. The Board also heard the case of Tata Steel on 18 August, but agreement could not be reached between the parties and this case has been postponed by the Valuation Appeals Board.

DONATION OF ERVEN 11642 TO 11644 VELDENVLEI FOR AN ART CENTRE

Negotiations are under way between Council and Department of Art and Culture to donate land for a proposed Art Centre. Council will be responsible for the management and maintenance of the Centre and receive annual funding of approximately R1 200 000,00 subject to CPIX annual escalation. A budget of approximately R8 000 000,00 is in place for construction of the proposed centre and the development will be in phases.

DONATION OF SCHOOL SITE IN MEERENSEE

A request was received from the Department of Education for Council to identify a 4 hectare land that can be acquired for construction of a Secondary School. A school site has been reserved as part of future planning for Meerensee 5, and is suitably located adjacent to Mzingazi Village and Dune Route.

Council approved the donation of the school site subject to finalisation of Township Establishment procedures.

CONVERSION OF A LONG-TERM LEASE INTO A SALE AGREEMENT: PICK 'N PAY MEERENSEE

A request was received from Schoonies Vier (Pty) Ltd to convert the existing lease into a sale agreement, as they would like to improve the shopping mall.

Council approved the sale and will receive an income of approximately R12 720 000,00 from the sale of the property. Council is currently receiving an income of R59 189,00 per month from the lease and assessment rates.

PROPOSED LEASE AGREEMENT : LOCAL ECONOMIC DEVELOPMENT PROJECT IN WASTE MINIMISATION / RECYCLING : REM OF ERF 45 KULEKA

An unsolicited bid received from Greenville Industrial (Pty) Ltd was supported by Council. The approval to release the proposed site, Erf 45 Kuleka, for the establishment of a waste minimisation / recycling plant is subject to conditions.

ESIKHALENI SHOPPING MALL

A tender that was advertised in August 2006 and was awarded to Wonderdeals Pty Ltd. The erven J2294 and J2295 eSikhaleni was recently transferred after successful finalisation of Suspensive Conditions in terms of DFA. Council received an income of R6 840 000,00 from the sale of the properties. The construction of the shopping mall is nearly completion and will be opened in October 2010.

SECTIONALISATION OF J464 ESIKHALENI

After refurbishment of J464 Hostel, Council took a decision in November 2005 to transfer ownership of the units to the tenants as a pilot project. The land surveyor and Conveyancers were appointed to attend to the sectionalisation. In June 2010 the first units were registered at the Deeds Office as a result a Body Corporate was formed. The first general meeting of the Body Corporate will be held in September 2010. However, Council will still provide support to the complex at least for six months. Part of the support is that separate water meters will be installed per unit. Lessons learnt from this pilot project will assist with the sectionalisation of other recently refurbished hostels.

RENEWAL OF RENTAL AND SALE POLICY

Council recently reviewed its policy on rental and sale of immovable property. More emphasis was placed on lease agreements that do not follow the MFMA process. Council reviewed its land sale policy to introduce tougher measures to prevent property speculators from controlling the process.

Significant changes are the purchase of the tender document, payment of a 20% deposit upfront and bidders will be allowed to tender for one property only. As a result an advert will be placed in the press for 64 properties to be sold and an income of approximately R84 000 000,00 is expected.

The approach of selling land prior to formalisation of township establishment procedures is being reviewed and only adopted where unique and very large investments are proposed, or where it will be prohibitively expensive for Council to obtain Township Establishment approvals and installation of infrastructural services with a view to obtaining basic approvals before marketing of the

properties. As a result the Planning and Property Administration sections are busy drafting specifications for the old casino site, water works node etc.

Leases administered by Property Section

Public Open Space Leases	188
Adopt-A-Spot Leases	6
Agricultural Leases	7
Arts & Crafts Leases	1
Encroachment Leases	52
Advertising Leases	18
Diverse Leases: Commercial	40
Social	28
Infrastructure	29
Total	369
Income from leases	R5,4 million

5. LOCAL ECONOMIC DEVELOPMENT

AGRICULTURAL SUPPORT

Agricultural Implements and Seeds

Council purchased agricultural implements and seeds to encourage and assist small scale farmers within uMhlathuze. In the 2009/2010 financial year the following wards benefitted.

WARD	PROJECT NAME
2	Makhelwane Garden Project
5	Impumelelo Garden Project
8	Siyaphambili Garden Project
16	Banana Beach
16	Siyazama Garden Project
16	Asibathande
24	Zimiseleni Club
30	Siyacathula Garden Project

Annual Agricultural Market Day

The small scale farmers were further supported by Council through the hosting of the Annual Market Day where they were afforded an opportunity to sell their produce, and network with other small scale farmers.

BUSINESS SUPPORT

Business Advisory Services

A consultant has been commissioned to conduct Business Advisory Workshops in the community to assist prospective entrepreneurs, and existing entrepreneurs who have indicated their need for assistance in this regard.

1. *Workshops cover the following topics:*

- Starting your own business
- Preparing a business plan – what you need to know
- Preparing tenders, proposals, costing and pricing
- Small business opportunities
- Understanding BEE

2. *Business advisory service to SMME's includes:*

- Guidance with regard to market research
- The business concept (concept plan process)
- Choice of legal entity (sole proprietor, close corporation, private, partnership, co-op, etc.)
- Registration of the entity with CIPRO
- Other statutory registrations: SARS (tax, PAYE, VAT), UIF, Workers Compensation, CIBD
- Exposure to affordable small business opportunities
- Review business plans and offer advice where necessary
- Linking the entrepreneurs with government assistance and other development organisations.

Community Skills Development

Based on the Community Skills Audit results Council trained community members in the following:

Type of Training	Enrolment Dates	Education Institution	Number of Learners per session
Welding	06/07/2009-31/07/2009	Umfolozi FET College	10
	03/08/2009-31/08/2009		10
	02/09/2009-02/10/2009		10
	05/10/2009-30/10/2009		10
Plumbing	06/07/2009-17/08/2009	Umfolozi FET College	10
	24/08/2009-05/10/2009		10
Metal Engineering Fabrication	18/01/2010-09/04/2010	Umfolozi FET College	10

The Official Certificate Handover for all the technical training conducted was in June 2010 in the Auditorium, Richards Bay Civic Centre.

Tourism

A new Tourism Visitor's Guide to the City of uMhlathuze has been compiled, and is available on Council's website:

<http://www.richemp.org.za/tulipuMhlathuzeinternet/>

Tourist Guide
Visitors Guide / Maps

or

http://www.richemp.org.za/TulipuMhlathuzeInternet/repository/visitors_guide_2010.pdf

6. DEVELOPMENT ADMINISTRATION

The newly created Development Administration Section gained momentum during the 2009/2010 year with the appointment of a Deputy Manager: Development Administration during October 2009.

The section is responsible for the administration and evaluation of applications submitted in accordance with the new KwaZulu-Natal Planning and Development Act, 2008, which commenced on 1 May 2010. Applications may include rezoning, subdivision and consolidation of land, development of land situated outside

scheme areas, phasing or cancellation of approved layout plans for subdivision or development of land, the alteration/suspension/deletion of restrictions relating to land and permanent closure of municipal roads and public places.

The section attended to the following during 2009/2010:

- ✓ A new Planning and Development Policy was adopted by Council during April 2010;
- ✓ New application forms are available to guide applicants in respect of Council's requirements for development applications in terms of the Planning and Development Act;
- ✓ Town Planning tariffs were revised in line with the requirements of the Act;
- ✓ Delegations in terms of the Act were adopted by Council and advertised in the Provincial Gazette on 22 July 2010;
- ✓ One application was received and finalised in terms of the Act;
- ✓ Various pre-application meetings were attended to.

7. STRATEGIC DEVELOPMENT, ENVIRONMENTAL PLANNING, IDP

RICHARDS BAY WATERFRONT DEVELOPMENT PROJECT

PV&E Town Planning Consultants were appointed during 2008/2009 to draft a concept plan for the Richards Bay waterfront Development Project. Council approved the concept plan during July 2009.



In 2009/2010, the consultants continued with Phase 2 of the project, which included specialist inputs relating to:

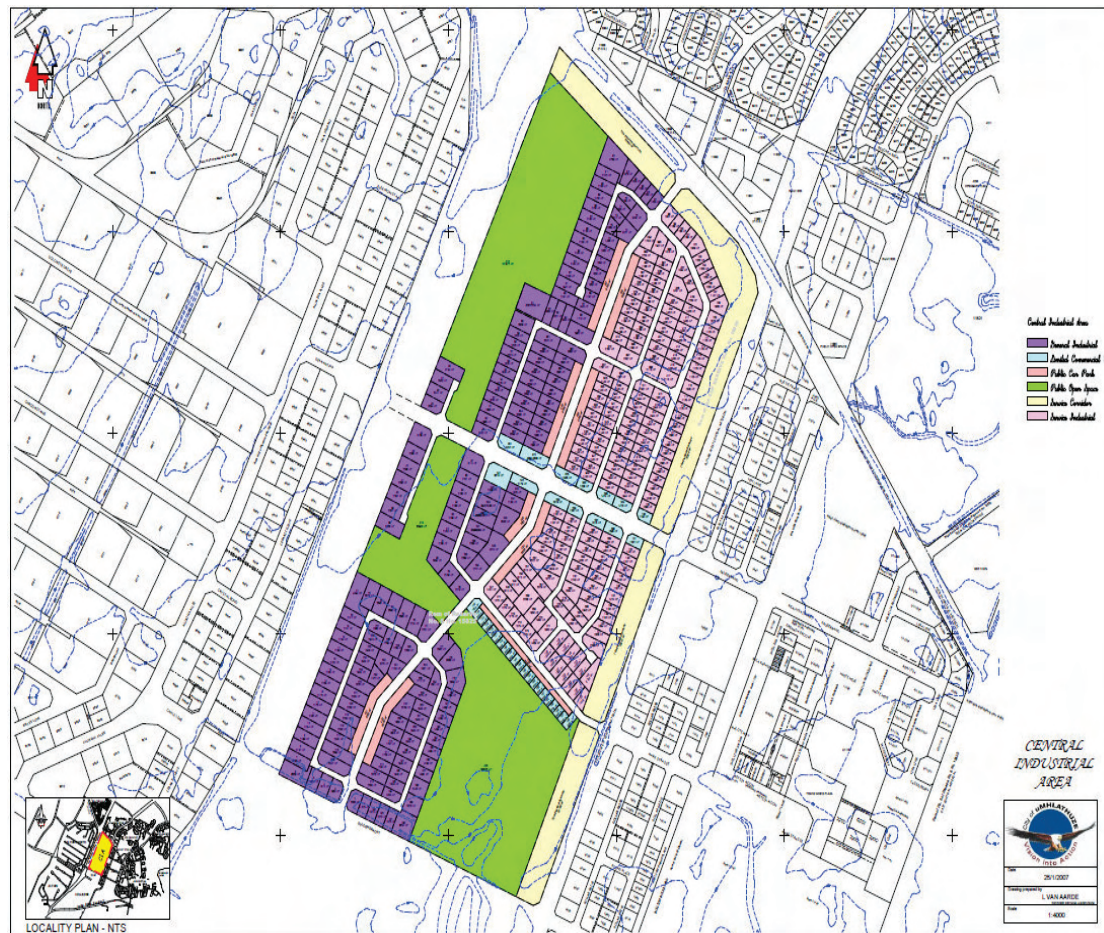
- traffic impact of the proposed project;

- geotechnical review of the study area;
- economic viability study.

The abovementioned specialist studies were completed during 2009/2010, and the Municipality is continuing with the project during 2010/2011.

RICHARDS BAY CENTRAL INDUSTRIAL AREA

Coastal and Environmental Services was appointed to undertake an Environmental Impact Assessment for the proposed township establishment and servicing of the proposed Richards Bay Central Industrial Area, between Dollar Drive and Ceramic Curve.



The Scoping Report was advertised for comment during January 2010. Period for comment closed, and the scoping report and Plan of Study for EIA was submitted to the Department of Agriculture and Environmental Affairs for approval. The Department approved the draft scoping report on 27 May 2010.

The EIA Report was released for public comment during August 2010.

RICHARDS BAY CBD EXTENSION SOUTH OF GULDENGRACHT

Vuka Planning Africa was appointed to finalise the environmental impact assessment and township establishment processes to enable commercial development in the area between John Ross Parkway, the newly constructed extension of East Central Arterial, Guldengracht and Bullion Boulevard.

A draft layout was used as the basis for an Environmental Impact Assessment process, which was derailed as a result of objections submitted by interested and affected parties.

The Municipality has attended to the concerns by amending the draft layout, and a new Environmental Impact Assessment process is set to start during 2010/2011.

PUBLIC TRANSPORT AMENITIES STUDY

UWP was appointed in 2008 to undertake a study relating to Public Transport Amenities in terms of their adequacy, space allocations, public transport movements (bus/taxi stops) and layout of the public transport ranks. Consultants were also to identify and recommend suitable areas for truck stops to alleviate the current problem of trucks not having clearly defined parking areas.

The study culminated in the following deliverables:

- A status quo report (January 2010)
- Draft Truck Stop Investigation Report (March 2010)
- Draft Transport Amenities Report – Proposals for Improvements at selected Facilities (March 2010)
- Draft Public Transport Stop Assessment and Improvements Report (March 2010)

Final reports were delivered in June 2010, which are to be considered by Council in the near future. Further consultation with interested parties is continuing.

CLIMATE CHANGE STRATEGY

Zitholele Consulting was appointed during 2008/2009 to draft a Climate Change Strategy and Energy Sector Plan. The project was finalised during 2009/2010 and Council adopted the Strategy during June 2010.

The City Development and Infrastructure and Technical Services Departments continue to implement the strategy.

RICHARDS BAY ENVIRONMENTAL MANAGEMENT FRAMEWORK

The Department of Environmental Affairs and Tourism and the Provincial Department of Agriculture, Environment and Rural Development undertook to develop an Environmental Management Framework for the Richards Bay IDZ and Port Expansion area in terms of the National Environmental Management Act (107 of 1998). It is a legislative tool to support environmental decision making, especially in considering Environmental Impact Assessments.

The project is nearing completion, and various documents are available on the project website at www.phelamanga.co.za

The City forms part of the project Steering Committee.

INTEGRATED DEVELOPMENT PLANNING

During 2009/2010, the uMhlathuze Municipality continued to actively engage our community relating to the IDP process. Our communities are now familiar with the process and ensure their voices are heard during the IDP road shows. The outcome of the public participation process is available and has been considered by Council as part of the adoption of the IDP Review Report, which took place during May 2010.

Looking forward towards the 2011/2012 financial year, the Department City Development is in the process of reviewing the Spatial Development Framework (SDF), which forms a core component of the IDP.

The SDF sets out spatial guidelines, strategies and maps relating to the future growth of the uMhlathuze area. The Spatial Development Plan will apply these strategies and policies at a City-wide scale and will identify:

- A spatial vision for the City;
- Development principles that should inform development;
- Areas that should be protected;
- Areas where future development should take place or intervention is required; and
- Where there should be change to the existing urban environment and what this change should be.

Intensive engagements with our communities will also form part of this process.

In terms of the IDP and public engagement, the community has been once again clustered so that all areas will be reached with 11 public meetings, which started early in August 2010. The IDP process this financial year will continue to guide the Municipality regarding decisions relating to municipal budgets, land management, social and economic development and institutional transformation in a consultative, systematic and strategic manner.

DEPARTMENT OF INFRASTRUCTURE AND TECHNICAL SERVICES

- Electrical Services
- Support Services
- Operations and Maintenance
- Planning, Development and Technical Services
- Marketing, Customer Services and Revenue Protection
- Civil Engineering
- Water Services Authority
- Water Services Provider
- Project Management Unit
- Roads and Storm water
- Buildings and Structures
- Support Services

ELECTRICAL SERVICES

Support Services

The overall fleet compliment as at 30 June 2010 was 378 vehicles consisting of sedans and LDVs and 209 plant vehicles. Due to budget constraints, no new or replacement vehicles and plant were purchased during the 2009/2010 financial year. However, overall fleet availability remained strong at 97% for vehicles and 98% for plant.

The new street lighting call centre and system, which was launched in 2008 has proven very successful. The call centre is operational 24 hours a day allowing complainants to log calls either via the website at www.richemp.org.za, via e-mail to streetlights@richemp.org.za or telephonically to 035 – 907 5566. The electrical support services section has upgraded various areas and street lighting in Ngwelezane, Empangeni, Meerensee, Vulindlela, eSikhaleni, eNseleni and Brackenham. New floodlights have also been installed at various sports fields and the new Alkantstrand skateboard park.

Planning, Development & Technical Services

A total of R50 million was spent on new electrical network expansion projects. Topping the list was the completion of Cygnus and Neptune high voltage substations. Neptune substation was constructed within the Port of Richards Bay to provide both a future high voltage supply to the Port and strengthen the high voltage backbone. The latest in high voltage switchgear technology has been installed, supplied by Areva, Germany. The compact switchgear provides ease of use, a smaller footprint and longer life cycle cost in terms of maintenance and operations.

The first of three phases has been completed at Cygnus substation in eSikhaleni. The first phase comprised the rebuild of the high voltage switchyard. The high voltage switchgear has been replaced with the same compact switchgear as used in Neptune substation allowing for the expansion of the substation and phases two and three. Phase two will comprise of new power transformation and a new 11 kV switchboard. Phase three will be the construction of a new double

circuit power line between Felixton and Cygnus substation to provide a reinforced high voltage supply to eSikhaleni.

As part of the Richards Bay network reinforcement project, tenders were awarded for the construction and installation of the first power transformer at Phoenix substation. The project, comprising of a new single high voltage transformer bay and new 11 kV switch room, has commenced and will be completed in the 2010/2011 financial year. A refurbished power transformer from Hydra substation has been moved to Phoenix for such purposes.

Operations and Maintenance

The 2009/2010 financial year proved to be challenging with several capital refurbishment projects nearing completion, unforeseen disasters such as the total loss of the medium voltage switchboard in Hercules substation during the 2008/2009 year and the continuing theft and vandalism of copper and aluminium.

On the refurbishment front, the first of two power lines between Hercules and Scorpio substations and Impala and Polaris substations have been completely refurbished in terms of corrosion prevention. The other lines are to be completed within the 2010/2011 financial year.

The rebuild of Deneb substation has seen a vast improvement in quality of supply to the northern sections of eSikhaleni. The replacement of obsolete XLPE cable in many parts of eSikhaleni has also improved the quality of supply with fewer outages as a result of cable failure. Maintenance activities have been constant with good progress on miniature substations and low voltage reticulation.

As part of an ongoing effort to combat the theft of non-ferrous metals such as copper and aluminium, new locking technologies have been installed on electrical substations with great success. The vandalism of miniature substations has seriously declined over the past year due to these new innovative ideas and solutions, however, the theft of copper and aluminium cable remains high.

A total of 262 unplanned outages were recorded during the year. Importantly 96% of all outages were restored within 7,5 hours, which is well within the national standard. A total of 658 planned outages for maintenance purposes were recorded for the year.

Marketing, Customer Services and Retail

The total energy consumption for the year declined during the middle quarter as a result of a progressive economic downturn and the impact of higher tariffs. All customers consumed a total of 1529 GWhs of electricity while 1591 GWhs was purchased from Eskom resulting in a total energy loss of 4%. This figure includes both technical and non-technical losses.

Non-technical losses have been steadily decreasing over the years as a result of the check metering principle. Total energy losses inclusive of technical and non-technical is now well below the 6% average of the previous five years, which is

far below the national average of 20%. However, customers continue to tamper with electricity, which is of grave concern in terms of safety.

The impact of the high demand season high tariffs has shown that many industrial customers have elected to reduce demand during these months to undertake maintenance on their plants.

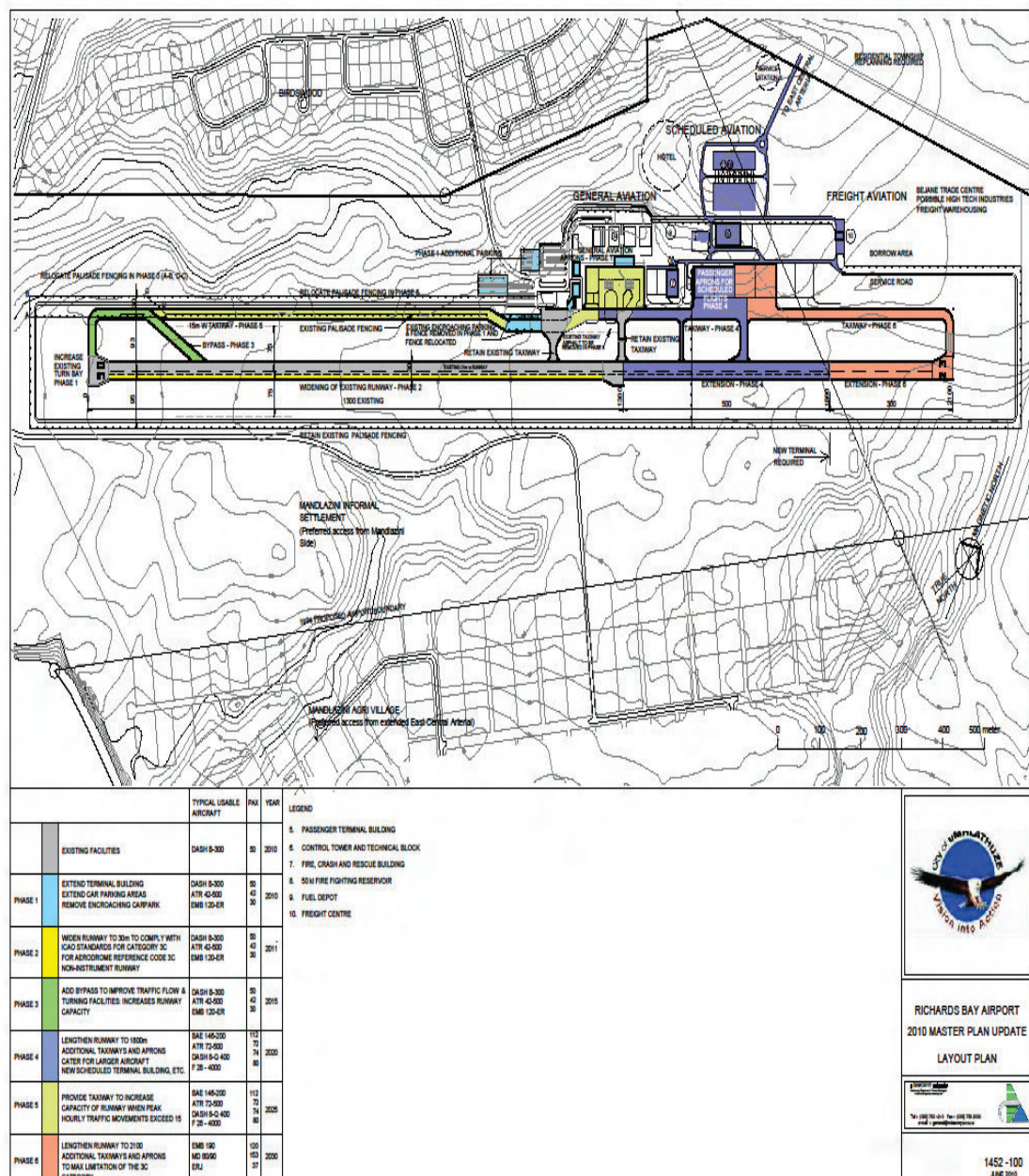
CIVIL ENGINEERING

Support Services Branch

Richards Bay Airport - Update of Master Plan

In 2009 Council appointed consultants to update the previous Richards Bay Airport 1994 Master Plan.

FIG.1 AIRPORT MASTER PLAN

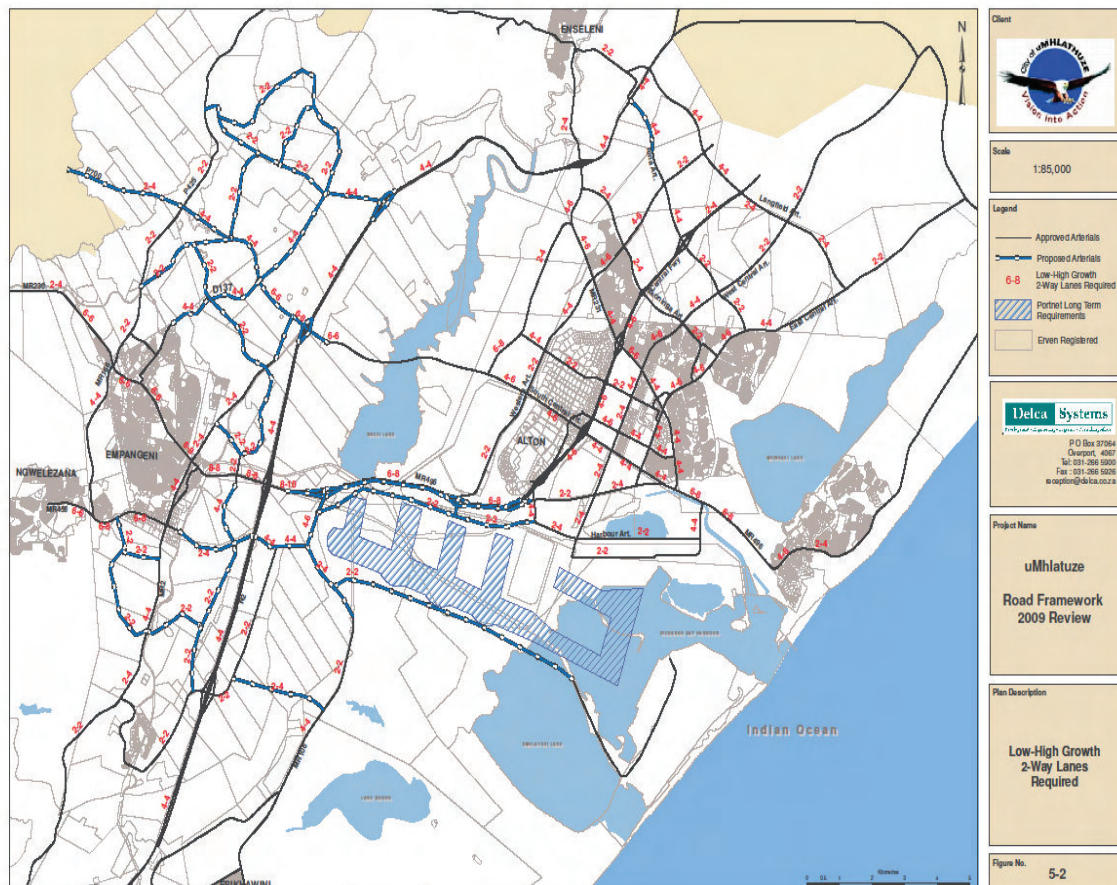


Arterial Road Framework 2009 Review

In 2009 uMhlathuze Municipality appointed consultants to review the road framework plan to cover the whole of the municipal area and to support revised land use proposals in the Strategic Development Framework (SDF) 2007.

The arterial framework layout emanating from this review is depicted on Fig. 2 below

FIG.2 ARTERIAL ROAD FRAMEWORK



Upgrading of West Central Arterial / John Ross Intersection

The Metal Transportation Road Improvement project began in 2003 and was initiated in response to mitigating risk associated with liquid metal transportation from the Hillside Smelter to the Bayside Smelter arising from the R 333m Bayside “Phambili” Casthouse upgrade project.

Bayside Aluminium at that time was able to produce in the region of 180kt per annum. The upgraded casthouse was able to process up to 330kt per annum. To achieve maximum benefit of the casthouse at Bayside, BHP Billiton undertook to supplement liquid aluminium at Bayside by transporting liquid aluminium from Hillside to Bayside in order to supply the local market. As a result a project was launched in 2008 to improve the West Central Arterial/ John Ross intersection by introducing a split level intersection and associated access ramps.

This is currently under construction and the basic layout is depicted on Fig. 3 below.

FIG. 3 WEST CENTRAL JOHNROSS INTERSECTION



F

Geographic Information System (GIS)

The Phase 4 component of the GIS Upgrade project was successfully completed during this reporting period. This comprised of the following activities:

- * Establishment of a GUI Tool to be utilised in the tracking of "history" for captured data on the system.
- * Incorporation of a unique identifier (UID) for each data record. Essential as a 'connector' between various systems i.e. Promis, GMS etc and will play a vital role in the envisaged Asset Management System.
- * Further updating of farm cadastral data.

Survey and Design

Extensive assistance was provided to all departments with regard to ad hoc surveys, draughting and designs covering a wide range of issues across the organisation. Approximately 78 such projects were attended to in this reporting period.

Of note were the infrastructure planning, designing and draughting for a cluster development of approximately 45 erven in eSikhaleni. It is anticipated that the installation of services will commence shortly in accordance with these designs, see figs 8 and 9 below:

Administration

The Administration Section of Support Services continues to serve the department in a wide range of administration areas. Ranging from budget compilation and expenditure monitoring, minutes of meeting, typing functions, technical library management, organising of functions and general administration and managing departmental complaints centre.

WATER SERVICES PROVIDER

1. Operations and maintenance

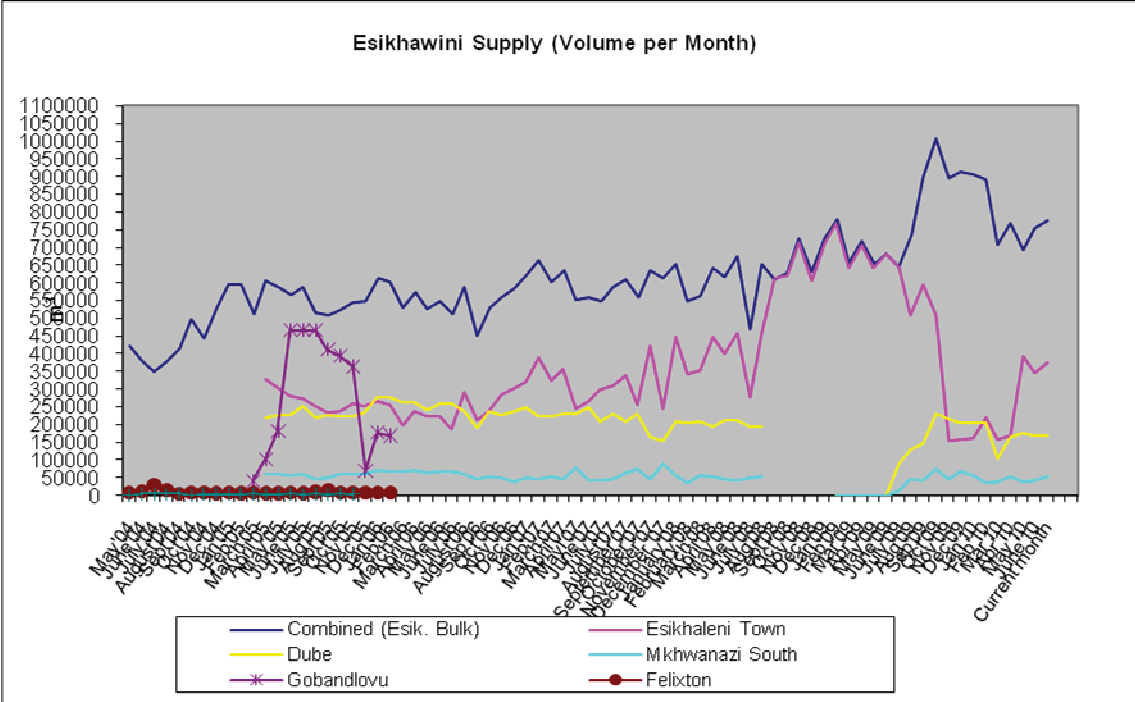
The Water Services Provider is responsible for Operation and Maintenance of all Water and Wastewater delivery infrastructure, including customer liaison and financial controls. Water Services Provider also provides all in-house capital funded infrastructure development. uMhlathuze Municipality owns and operates infrastructure that it has built, upgraded and inherited since its establishment.

The City of uMhlathuze has the constitutional obligation to provide water services to communities within its area of jurisdiction. In addition to the provision of water services to all households, business and industries in the area, the City is also responsible for the ongoing operation and maintenance of the infrastructure installed. This maintenance function of the City is the focus of these terms of reference.

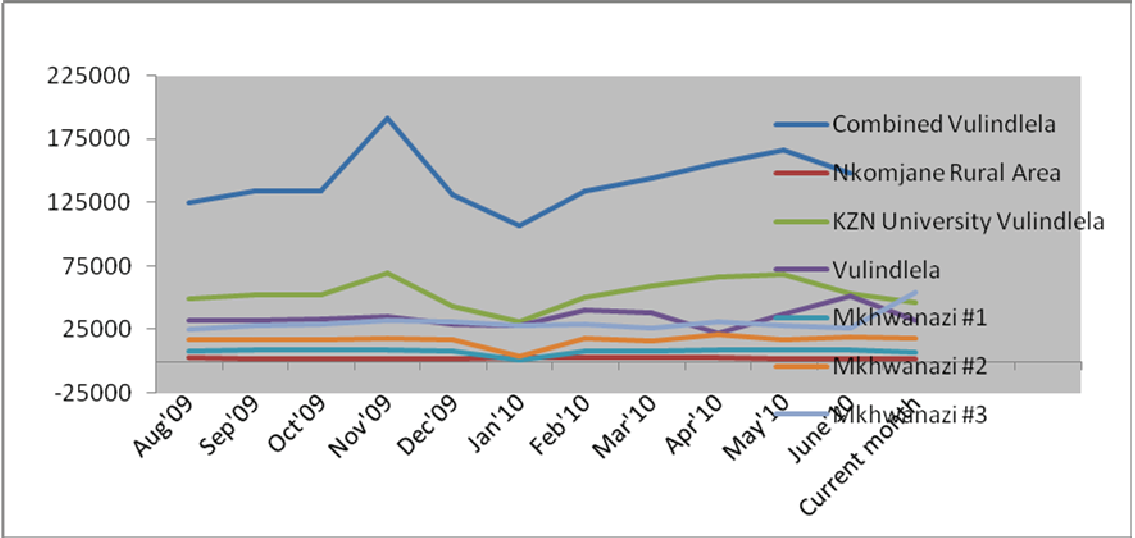
The key performance areas of the Water Services Provider, as prescribed in the plan, is as follows:

1. Water purchased and purified
2. Operations and Maintenance – 1966 kilometres of Water Reticulation
3. Operations and Maintenance – Sanitation Infrastructure Network
4. Operations and Maintenance – 62 Sewage Pump Stations
5. Occupational Health, Safety and Environment

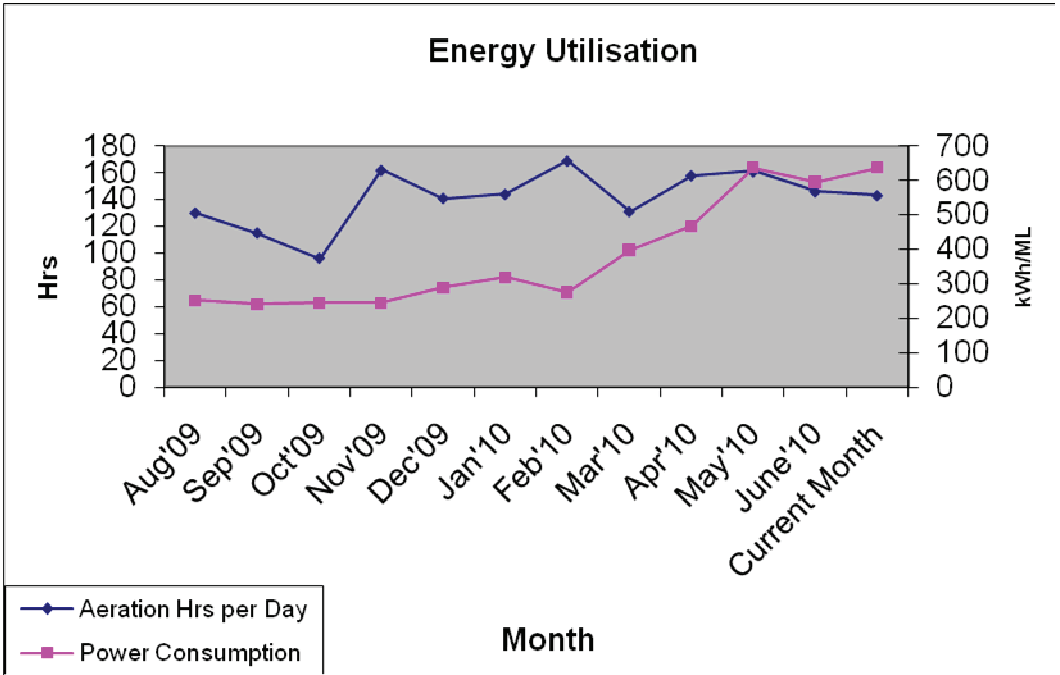
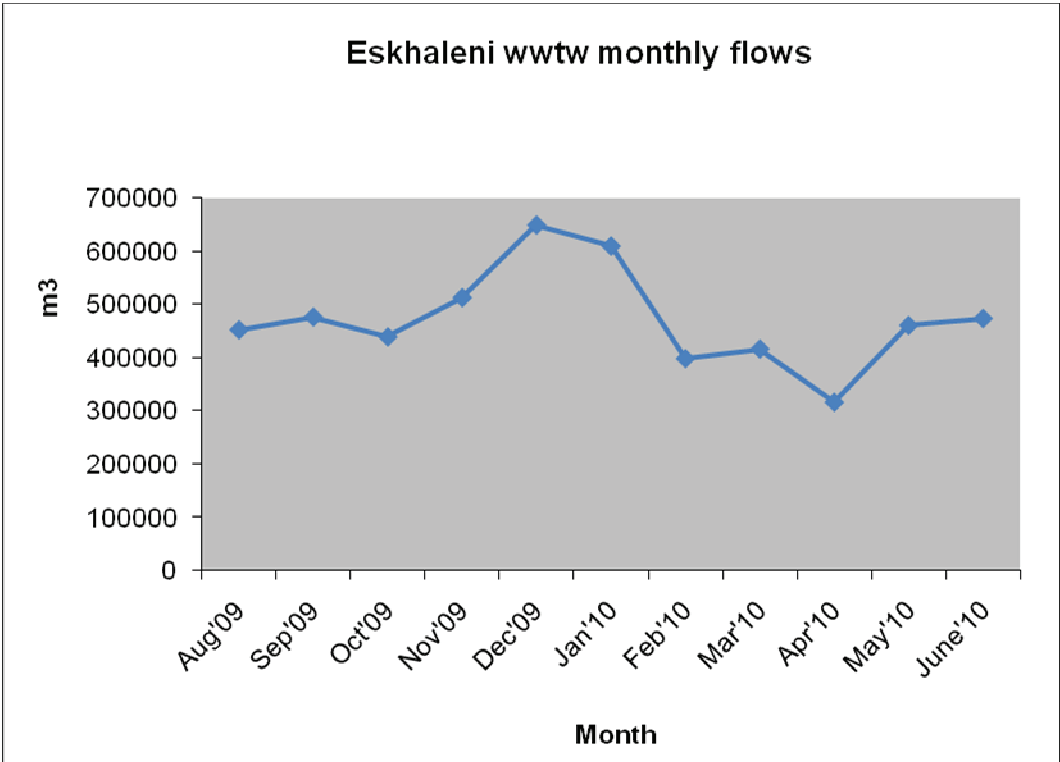
Water Demand Graphs



Water Demand Graphs



Esikhawini Sewer Treatment Works Flow Graphs



***Waste Water:* The Water and Sanitation Services Pump stations equipment consist of the following units:**

864 km of sewer pipes

2 Macerator stations

5 Treatment works – (Vulindlela, Ngwelezane, eNseleni, Empangeni and eSikhaleni) treating approximately 50Ml per day

62 Pump stations, including 136 pumps

2 Portable Water Pump stations

12 Swimming pool units

4 Ground Water (pit) Pump stations

And until recently upgrades to water pump-stations with Emergency generators to assist with load shedding exercises so that service delivery still remains a 24/7/365 operation. This will soon be extended to the sewer pump stations.

This and other services include unblocking of sewer mains and odour control at the macerator stations.

The WSP branch of the department provides the above main functions to the 300 000 residents (approximately 75 000 households) within the uMhlathuze Municipal boundaries, 24hrs a day, seven days a week and 365 days a year.

2. MAINTENANCE CONTRACTS

Review of feasibility study on service delivery for water and sanitation services (section 78 assessment)

Messrs WSSA, has a three year contract to manage the bulk operations and maintenance of all nine (9) water services treatment works within the Water Services Authority area. However reticulation responsibilities still remain with the WSP.

Review study in terms of section 78 Phase 2 Feasibility report on Water & Sanitation Delivery Mechanisms

A review study in terms of Section 78 is currently underway to investigate the options in water services delivery of the maintenance and operations of the reticulation networks by external BEE plumbing contractors.

Telemetry

A five-year maintenance lease contract with Messrs Exelcom cc was entered into for the maintenance and upgrading/repair of Council's potable water and wastewater telemetry/SCADA system, running from 2007-2011. This system provides for the online monitoring of Councils reservoir levels to maintain continuous service delivery.

Electrical maintenance contract

The two-year contract from 2007 to 2009, with Messrs Zululand Project, to maintain and upgrade all the electrical panels of pump stations and macerator stations, and has been extended. A new contract is up for review.

WATER SERVICE AUTHORITY

1. WATER LOSS MANAGEMENT

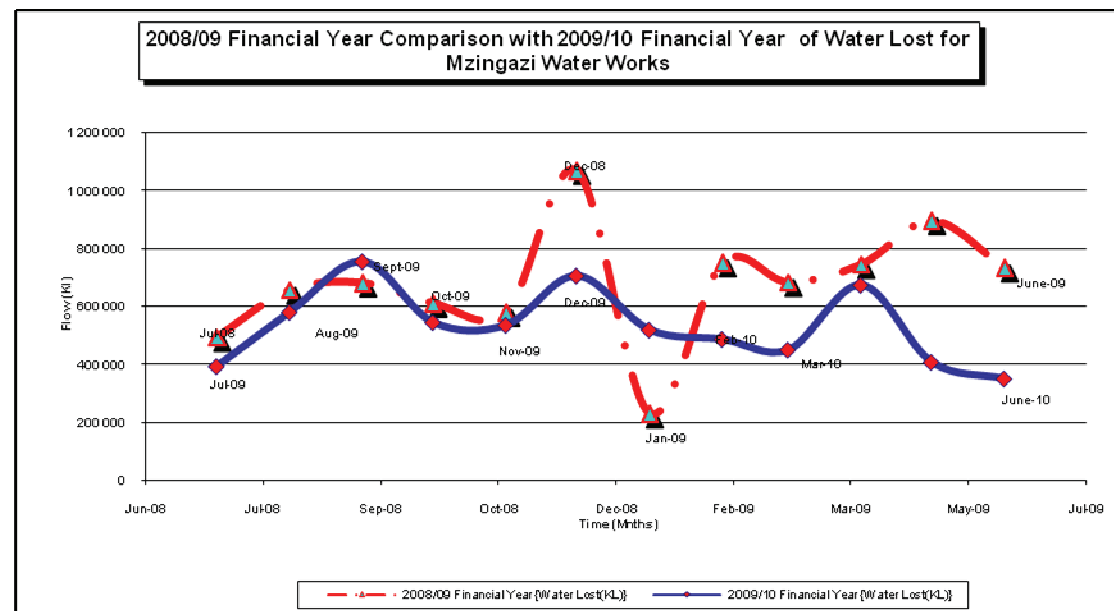
Water Meters: Replacement of Old Meters

Old water meter replacement is an extremely cost effective measure to reduce Non Revenue Water figures, that result in short cost recovery periods.

1.1 Unaccounted for water (UFW) meetings

Several meetings were held during 2009/2010. A graph showing comparison of unaccounted for water in kilolitre (kl) for the period July 2008 to June 2009 and July 2009 to June 2010 for all supply zones for the City is as follows:

Table 1: Richards Bay Volume of Losses

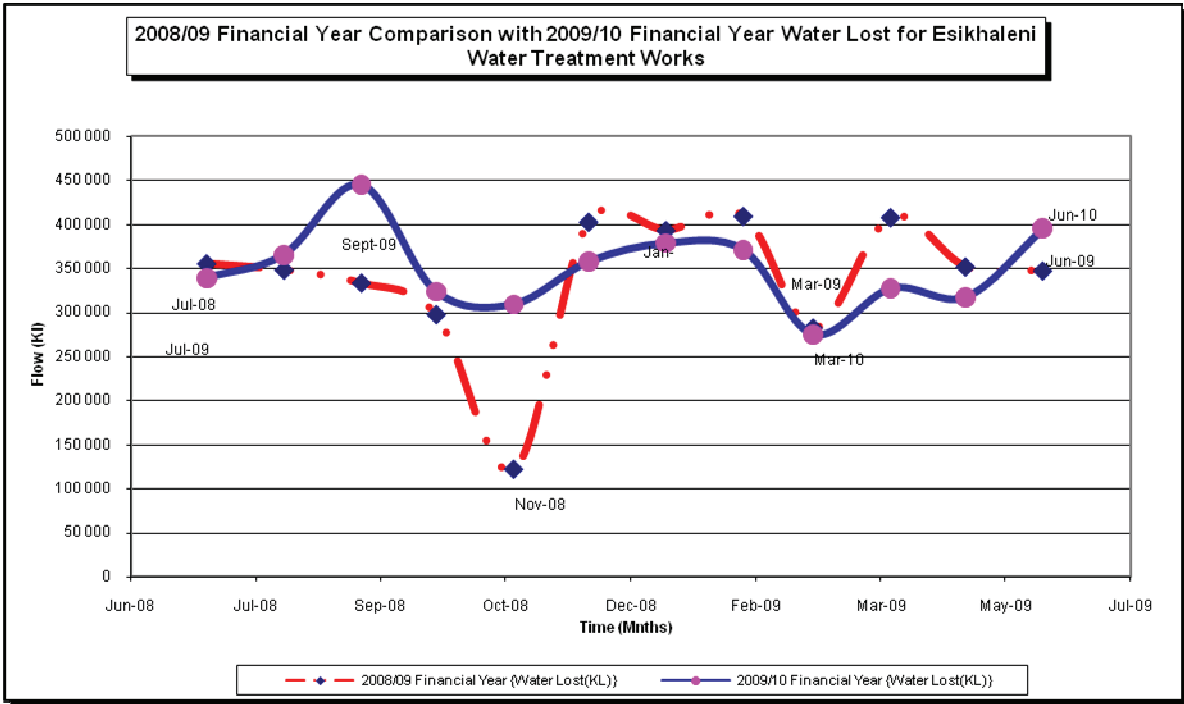


The above graph indicates the comparison of the 2008/09 financial year and 2009/10 financial year volume of losses. In comparison it can be seen that the losses in Richards Bay and surrounding areas have decreased. This can be attributed to meters being read and billed on actual consumption rather than the estimated figures that have been used in the past. There has been an investigation as to why there were so many burst pipes in Richards Bay alone and a report under interventions below explains the real reason. In brief it was discovered that pressures in most suburbs were high which lead to more burst pipes, in Arboretum alone pressures of 7.5bars to 12bars were recorded. With the pressures so high and the pipes so old and the pipe material being Asbestos pipes, that alone was a reason for high losses in the zone.

When comparing the figures from last year and the current figures it can be seen that there has been a huge savings in terms volume of water lost in kl in the 2008/09 report water lost in kl was standing at 8,141,870kl and the current report it is

standing at 5,230,642kl a saving of 36 % and with the continued investigation it is estimated that the losses for the current financial year would be further reduced as more accurate data is being obtained.

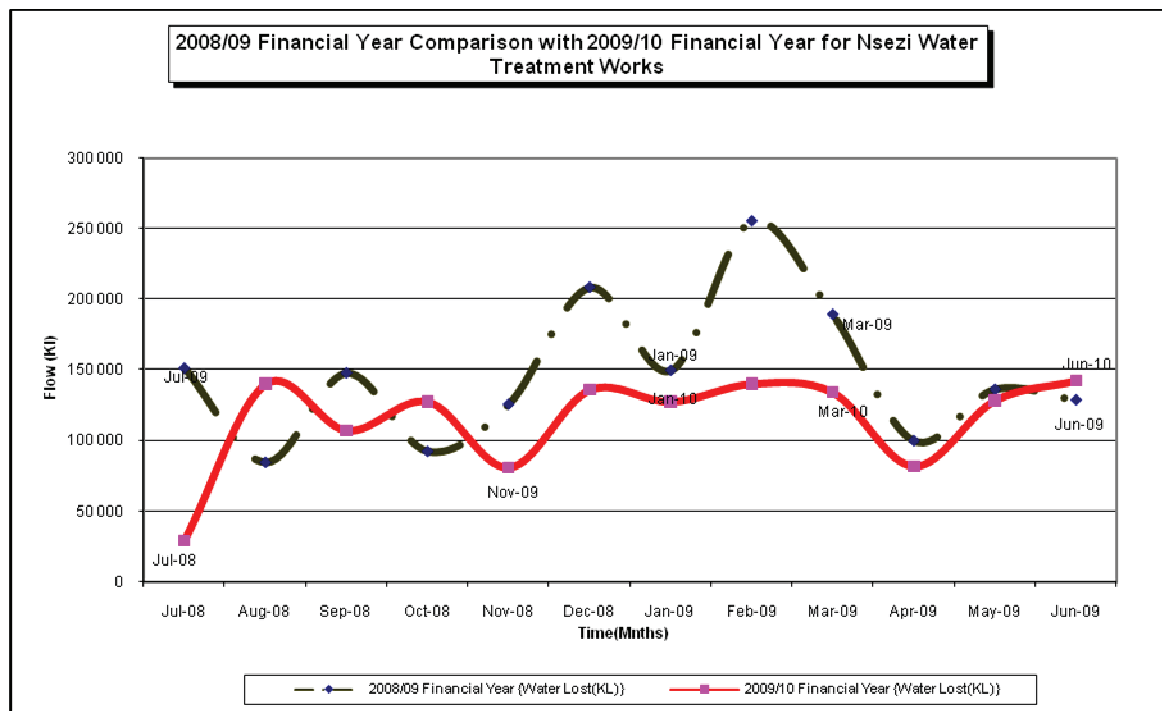
Table 2: eSikhaleni Volume of Losses



When comparing the above two graphs it can be seen that in the current quarter for the current financial year, the losses in eSikhaleni are increasing although it is still lower than the previous year but it raises concerns for the zone. In the previous reports it has been reported that eSikhaleni needs major funding to replace the entire ageing pipeline, as they can no longer handle the pressure. The other reason that the losses in this zone are so high is due to the data that is not accurate as there is no meter measuring the township. The data that is currently used is based on the boundary meters and it is then assumed that the township consumes the balance and this needs to be further investigated.

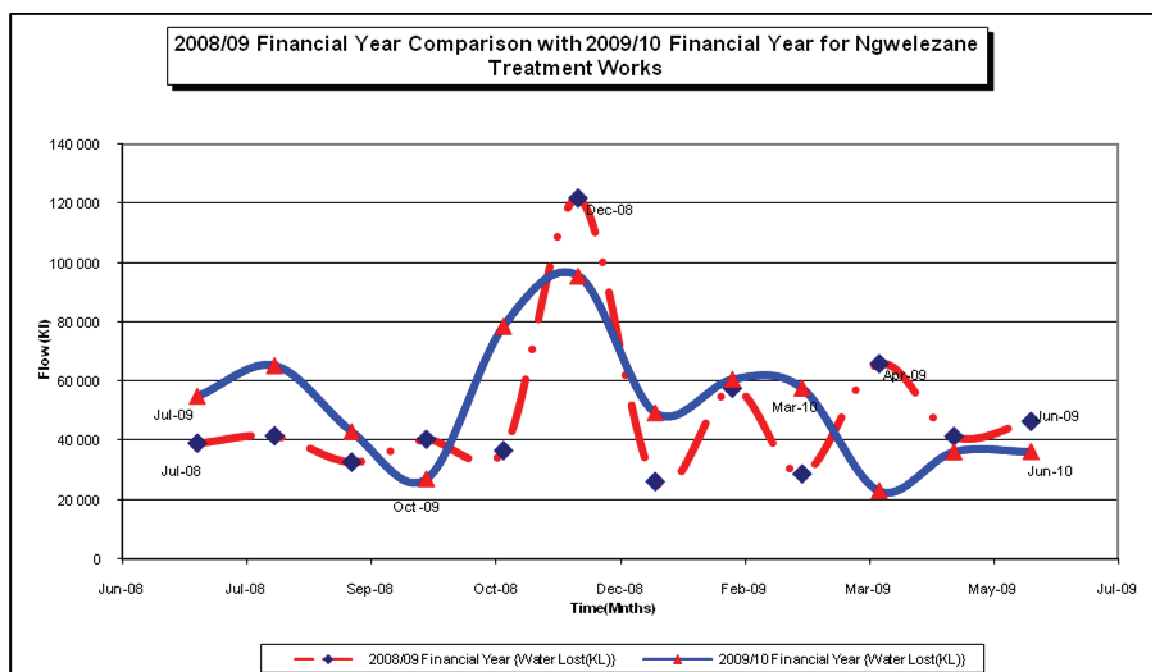
In comparing the figures it can be seen that the losses are slightly increasing and this is assumed to be due to the age of pipelines as it has been said above. The figures for 2008/09 financial year indicate that the volume of losses were sitting at 3,871,364kl and 4,205,442kl for the current financial year an increase of 7.9%. It is recommended that the council source some funding to do a mains replacement for the whole town but in the meantime we will continue to monitor the current situation and fix whatever can be fixed until there are enough funds to replace the whole water network.

Table 3: Empangeni Volume of Losses



As can be seen from the above graph, Empangeni water losses have improved in the last quarter. This is attributed to more accurate data being obtained, but can still be improved even further. Empangeni losses have decreased to some extent due to accurate flow measurement. Although some meters need calibration, the situation is under control at this stage although when comparing the current year and the last financial year (2008/09) it can be seen that there is a slight decrease in volume of water lost. In terms of figure the 2008/09 financial year the volume of losses for the whole year were standing at 1,773,232 and for the current year the losses are standing at 1,378,241 a decrease of 22%.

Table 4: Ngwelezane Volume of Losses



As can be seen from the above graph, Ngwelezane water losses have improved in the last quarter. This is attributed to more accurate data being obtained, but can still be improved even further. Ngwelezane losses have decreased to some extent due to accurate flow measurement. Although some meters need calibration, the situation is under control at this stage although when comparing the current year and the last financial year (2008/09) it can be seen that there is a slight increase in volume of water lost but all in all the situation is under control there are more meters that have been replaced that were being estimated. In terms of figures, the 2008/09 financial year the volume of losses for the whole year were standing at 578,745 and for the current year the losses are standing at 683,986 an increase of 15%. What needs to be mentioned as well is that the for rural areas we still using figures for 2006 census which is outdated maybe the population has increased.

3. WATER QUALITY ASSURANCE

Drinking Water Quality Management Performance Assessment

The Department of Water Affairs' drinking water quality status for the past 12 months ending June 2010, in comparison with provincial and national statistics for the City of Mhlathuze is shown in the following table:

Area	Overall Score	Drinking Water Quality Score	Appropriate Parameters Score	Appropriate Number of Samples Score	Frequency of Monitoring Score
	%	%	%	%	%
South Africa	54.2	60.8	45	50.6	60.6
KwaZulu-Natal	76	69.3	77	66.4	91.4
City of uMhlathuze	100	100	100	100	100

Table 1: Drinking water quality statistics

Water quality status for the city in some instances far exceeds provincial and national percentages. This is a clear indication of the status of the Water Quality Monitoring Programme in place and affirms that the operational integrity of the various systems is maintained optimally.

<http://www.wqms.co.za/overview/-summary#summary>

3. WATER QUALITY MANAGEMENT

The Water Quality Monitoring Program (WQMP) has been developed and implemented so that council meets the statutory requirements and for the sustainability of water resources within its area of jurisdiction.

SAMPLE TYPE	DESCRIPTION
Surface Water	Lakes (Cubhu & Mzingazi) Rural/Urban Suburbs (stormwater streams) Rivers/Streams/ Canals Industrial (stormwater streams) Pump-stations (streams close to pumpstations)
Coastal Water	Alkantstrand
Groundwater	Municipal Cemetery Landfill Site
Sewage	Industrial Effluent (sewage network)

Table 2 : Sample types being monitored by the WQMP

3.1 LABORATORY

The laboratory comprises three sections namely Chemistry, Microbiology and Technical. These sections analyse samples on various water types as per table 3 above. The technical section also provides for the maintenance of online instrumentation at 14 sewage pumpstations, 3 water treatment plants and one wastewater treatment plant to effectively monitor quality of these vulnerable sites on a continual basis.

SOURCE	TOTAL SAMPLES
WSSA	1223
External laboratory	309
Laboratory Services	1240
GRAND TOTAL	2772

Table 3: Total samples from July 2009 to June 2010

SAMPLE TYPE	TOTAL NUMBER OF ANALYSIS
Lakes (Cubhu & Mzingazi)	3465
Surface water	4518
Sewage	3803
Industrial Effluent (sewage network)	496
Adhoc	49
GRAND TOTAL OF ANALYSIS PER SAMPLE TYPE	12331

Table 4: Total number of tests per sample type from July 2009 to June 2010

The laboratory is currently undergoing method development and validation as well as phased implementation of ISO 17025. These two areas of competence will ensure that all results that are generated by the laboratory are internationally recognised as being accurate and precise with any errors in measurement that may be generated being quantifiable.

The laboratory is also participating in proficiency testing schemes for Chemistry and Microbiology in order to continually improve accuracy and precision when compared to other laboratories.

Future plans for the laboratory include:

- Introduction of new methodology
- Introduction of new tests
- Accreditation to ISO17025

3.2 WATER POLLUTION CONTROL

Water pollution control includes monitoring of Waste Water Treatment Works, streams and rivers, water bodies and borehole monitoring. These all are influenced by industrial waste, pump station- and sewer overflows and non-compliances of industry and WSP's to national effluent standards.

The WQMP is the cornerstone document and sets the standards/guidelines and regulations that are required to effectively and efficiently monitor all of the city's water sources. Trend analyses will in future assist the council to be proactive in determining the quality status of the water sources and timeously put in mitigation measures.

The table below provides inter alia a summary of some of the functions and work conducted by the water pollution control section:

ASPECT	TOTAL	DESCRIPTION
Industrial inspection	34	Inspection of industries for their compliance to requirements
Permits issued	14	Permits issued to companies for discharge of effluent as per section 88(1) of the Water Services Bylaws
Water Complaints	9	Consumer complaints on water quality
Tanker Inspections	5	Inspection of tankers carrying drinking water to rural areas
Pollution incidents	42	Incidents that resulted in pollution of water sources
Forums attended	13	Meetings with industry and service providers which were attended by the water pollution section
Internal Non conformances	751	Non-conformances generated from laboratory results, which are out of the specified range.
Online instrumentation non conformances	240	Non-conformances generated from online instrumentation results, which are out of the specified range.

Table 5: Work Aspects from July 2009 to June 2010

4. WATER SERVICES POLICIES AND BYLAWS

The Water Services Act 108 of 1997 stipulates that Water Services Authorities and local authorities need have the necessary Water Services Policies and Water Services By-laws in place.

This bylaw has been promulgated and in keeping with providing an efficient and effective service delivery mechanism to the community.

Future plans for the section include:

- Lakes Cubhu and Mzingazi management plans
- Blue and Green drop certification for the drinking water and wastewater systems
- Draft storm water bylaws has been completed and would be introduced to Council for approval.

5. INSTITUTIONAL AND SOCIAL DEVELOPMENTS: DEPARTMENT OF THE CITY ENGINEER

6. WATER AWARENESS AND EDUCATION CAMPAIGN

The Municipality's Water Services Authority conducted a campaign on water awareness, health and hygiene user education. The campaign covered 12 municipal ward areas. The campaign was undertaken with great success with close co-ordination and co-operation between the City Engineer's Department. The Department realised that water use, health and hygiene user education is an ongoing activity that needs to be undertaken and during such campaigns.

7. ROADS, STORMWATER, BUILDINGS AND STRUCTURES SECTION

1. Rural Roads and Storm water

The monthly progress, planned maintenance and construction schedules are indicated in the tables below.

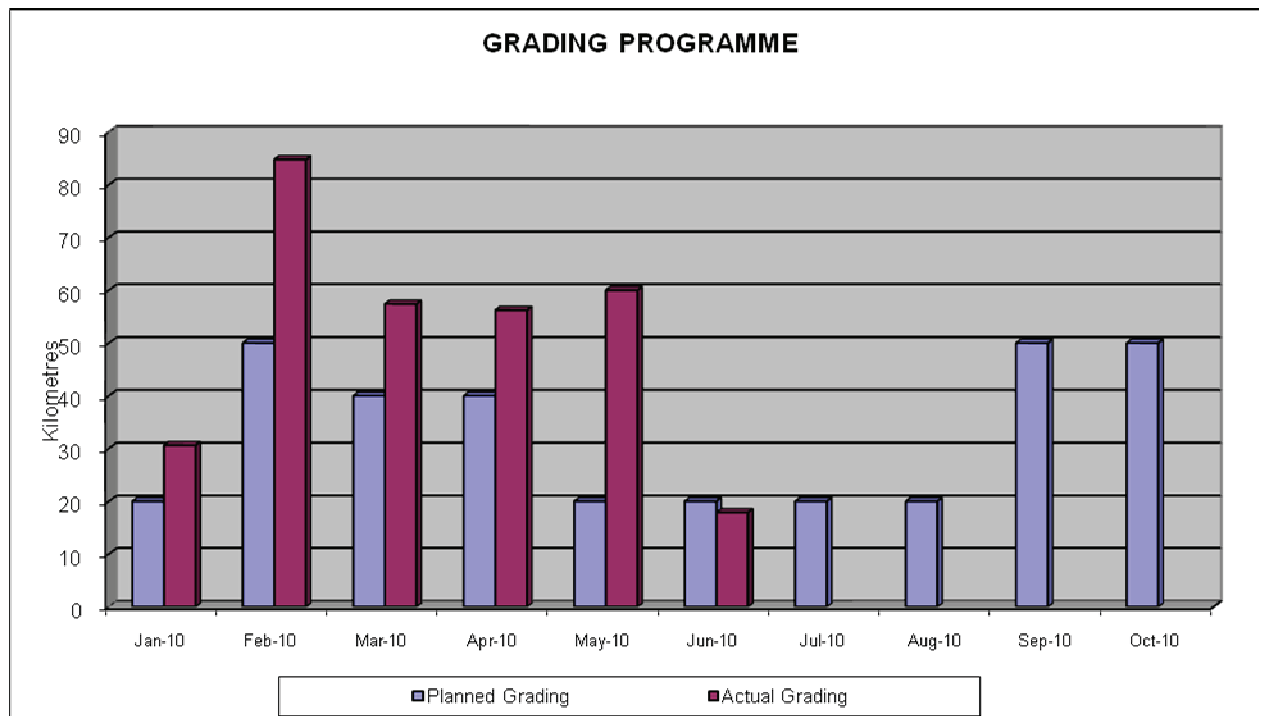
Month	km's Graded	Wards Worked in	km's Gravelled	Wards Worked in	Pipes installed	Wards Worked in
January 2010	30.6	6,18,24	2.6	11,24	11	4,15
February 2010	84.8	11,19,24,25	0.3	4	2	4,6
March 2010	57.4	10,11,15,22	0.0		2	24
April 2010	56.2	10,11,13	0.0		5	24
May 2010	60.0	4,5,6,13,14,19,24,30	2.1	25,14	8	10,14,24,29,30
June 2010	17.9	14,29	3.6	20,28,30	2	22,11
TOTALS	306.9		8.5		30	

Due to financial constraints the number of new gravelled roads were reduced and the number of graded roads increased. The number of graded roads in March is lower than in February as a result of the SAMWU strike. The amount in June is very low as a result of personnel on sick leave and plant breakdowns. Most of the available plant was used for gravelling.

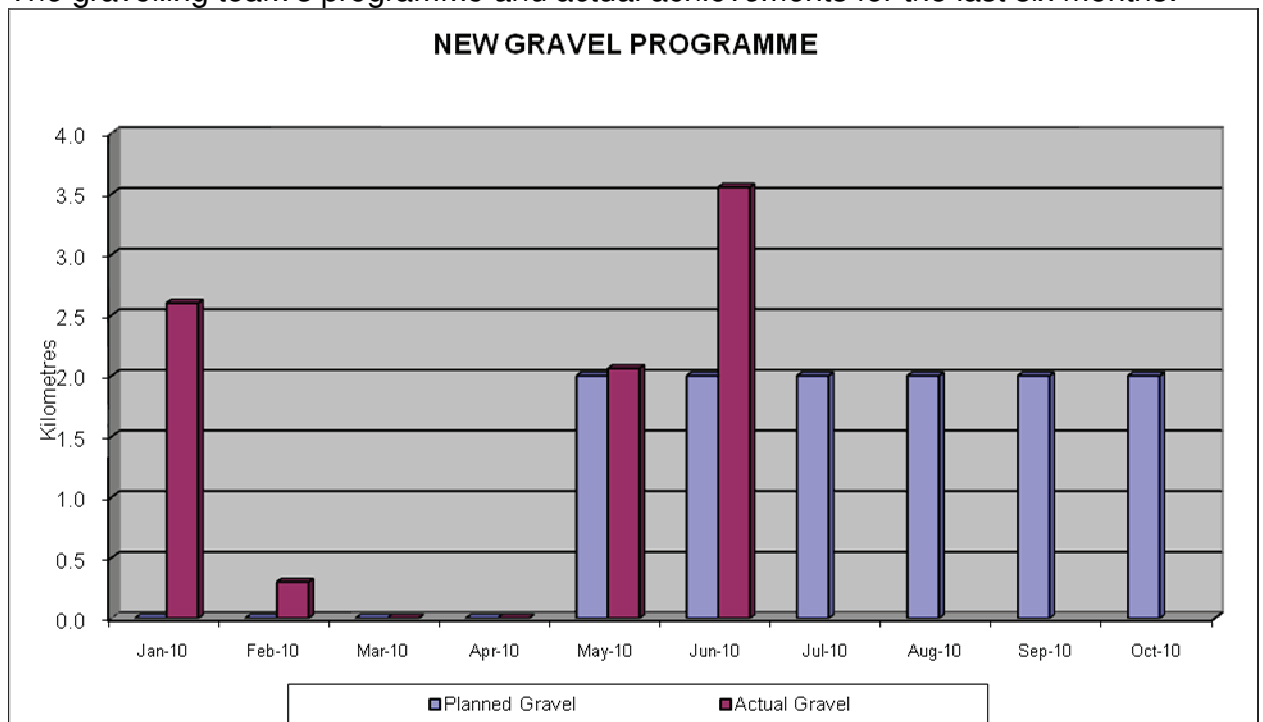
A pipe culvert built to give access through a wetland area as seen in the photo below:



The grading team's programme and actual achievements for the last six months:



The gravelling team's programme and actual achievements for the last six months:



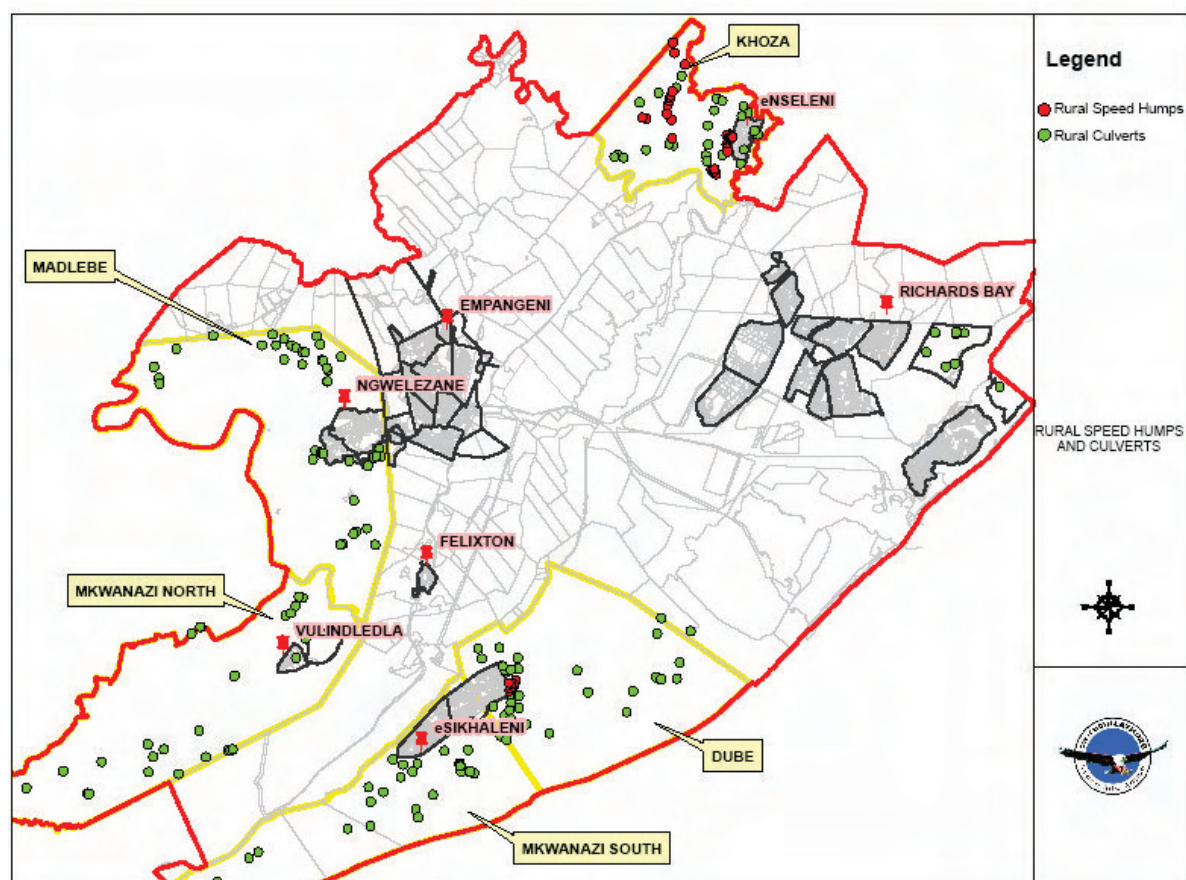
Gravelling ceased in Feb 2010 but commenced in May after the MIG VAT funding was approved. The gravelling teams commenced on the approved program as indicated and approved at the beginning of this project.

Pipe Culverts

In most of the rural areas access to and from different sections was difficult if not impossible during rainy times whether on foot or by vehicle. This section embarked on installing pipe culverts in critical areas and will endeavour to do so while funds are available.

The teams are busy with a number of new structures that are nearing final completion. Teams have also embarked on routine maintenance on existing structures. 43 Structures have been completed this year with request for another 46 still outstanding.

An overview of where pipe culverts were installed is shown below:

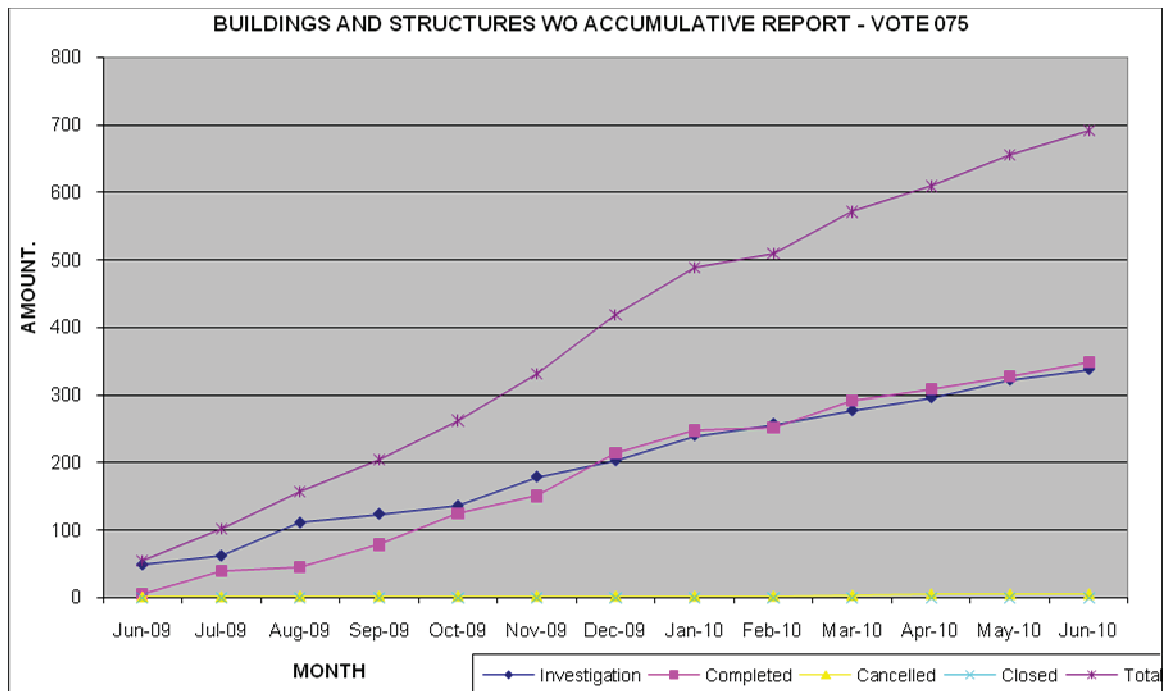


Way Forward

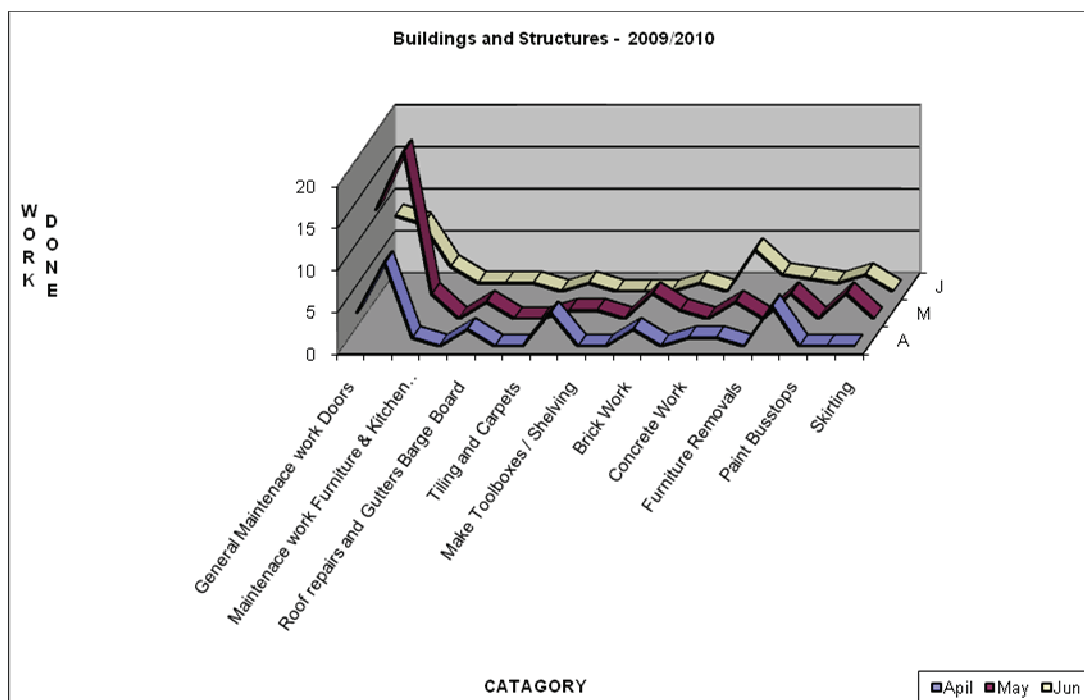
- Train other plant operators to drive key plant like graders.
- Request Stores to keep essential Plant Parts in stock to prevent repair delays.

3. Buildings and Structures

The accumulative progress for the completion of Works orders for the year is indicated in the graph below:



The different types of work, resulting from the works orders and performed by the building and structures sub-section is reflected in the table below:



4. Maintenance Contracts

This section also attends to maintenance related contracts and small new works such as traffic calming, the erection of fences, stormwater upgrades, large area

patching, grass cutting and silt removal as needed. The work done or that commenced during this year is indicated in the table below:

MAINTENANCE CONTRACTS and QUOTATIONS QUARTERLY PROGRESS				
2009/2010				
Project	Area	Contractor	Expenditure	Status
Traffic Signal Painting	Empangeni /Esikhaleni	Imvusa Projects	R 41,000.00	Completed in April2010
Roll up doors replacement	Stores at Alton	TRIMIDS	R 19,000.00	Completed in Mar2010
Repair pedestrian bridge	Esikhaleni	Mic and Caits	R 130,000.00	Completed in April2010
Patching of bus stops	Ngwelezane	Mic & Cait's	R 70,000.00	Completed in Mar2010
Cleaning of stormwater servitudes at Empangeni	Empangeni	Bhadaza Constructi on	R 173,000.00	Completed in May2010
Cleaning of stormwater servitudes at Esikhaleni.	Esikhaleni	Saneleyo Constructi on	R 73,000.00	Completed in May2010
Cleaning of stormwater servitudes at Richardsbay.	Richardsbay	Zamimpilo Constructi on	R 105,000.00	Completed in May2010
Construction of four speed humps at Umhlathuze Village.	Mhlathuze Village	Bhadaza Constructi on	R 46,000.00	Completed in Jun 2010
Total			R 657,000	

PROJECT MANAGEMENT UNIT

1. Municipal Infrastructure Grant Funding

Statistics

Grant Funding spent in the 2009/ 2010 Government Financial Year (April 2008 to March 2009) = R 50 863 000

uMhlathuze Municipality Counter funding spent to augment above grant funding on both water and sanitation = R 37 574 929

Total Number of projects in various stages of completion = 19

Project overviews

Following is a brief description of the projects under control of the PMU section:

Madlebe Bulk Water Supply Phase 3B

Madlebe Bulk Water Supply Phase 3C

Madlebe Traditional Area borders the Ngwelezana Township, which is approximately 25 km from Empangeni.

Phase 3B of the Madlebe Water Supply project commenced in January 2008 and was completed in January 2010. Phase 3C of the Madlebe Water Supply project started in April 2009 and was completed in February 2010.

Upgrade of Madlebe Water supply Phase 3C comprising, in brief, of the installation of 55 km of 20 – 63 mm diameter and 15 km of 75 – 160 mm diameter reticulation pipe work and related works. The works further comprise of construction of concrete reservoirs, elevated pressed steel tanks and related works.

Mkhwanazi North Water Supply Phase 5A

Mkhwanazi North Water Supply Phase 5B

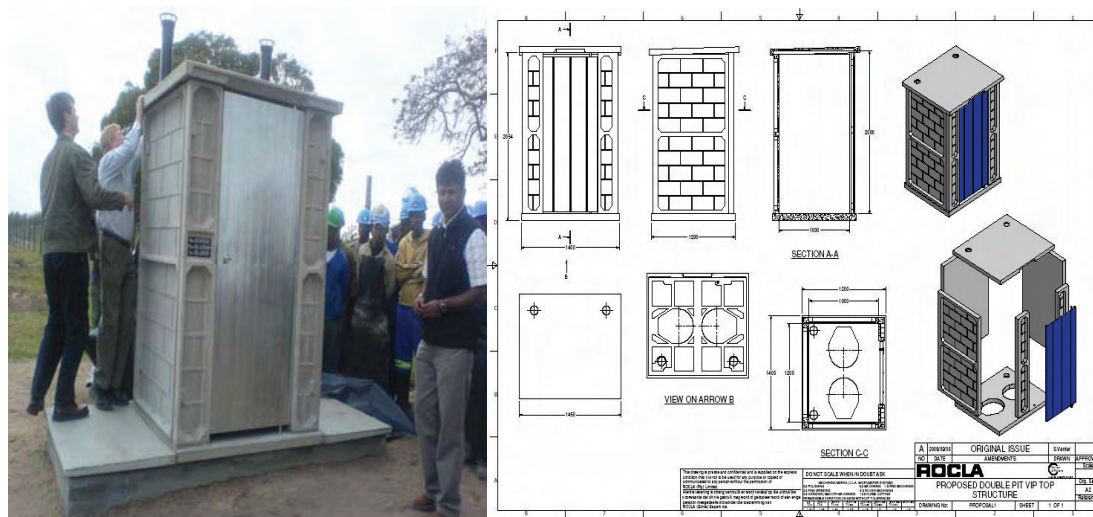


Phase 5A of the Mkhwanazi Water Supply project commenced in December 2008 and was completed in March 2010. Phase 5B of the Mkhwanazi Water Supply project started in March 2008 and was completed in May 2010.

Upgrade of Mkhwanazi Water Supply Phase 5A comprising, in brief, of the construction of a 620 kl reinforced concrete reservoir, elevated 25,0 m high and a 1270 kl reinforced concrete reservoir positioned at ground level, together with related pipe work and valves.

Upgrade of Mkhwanazi Water Supply Phase 5B comprising, in brief, of the upgrading of a potable water supply pump-station, installation of 350mm (replacing 110 mm diameter) and 160mm diameter bulk water mains, construction of a new pump-station, together with valves and related fittings, in addition to the erection of two 15m high elevated pressed steel reservoirs of 250kl and 350kl respectively.

Rural Sanitation in all areas under the Umhlathuze Dube/Mkhwanazi South Sanitation Project Phase 2



A total of 5336 Ventilated Improved Pit latrines (VIP's) has been installed in phase 2 of the Dube Mkhwanazi South Sanitation Project and a total of 424 plus 50 disabled toilets were still outstanding by the end of June 2010 which would be complete by the end of August 2010. Therefore, it means that a total of 5810 toilets would be erected in Dube/ Mkhwanazi South and North Area. The next phase of the Rural Sanitation would be carried out to address the basic sanitation facilities in all traditional areas. The top structures are manufactured at Port-Dunfort site.

2. Municipal Funding

Richards Bay Water Network Improvements



The project started in May 2009 and was completed in December 2009. The works comprised of the upgrading and replacement of existing water supply lines in Arboretum, Richards Bay, with new water supply lines ranging from 63 mm diameter HDPE to 300 mm diameter uPVC pipes. The total length of pipe to be replaced and installed is approximately 17 km.

The works included the interconnection of existing supply lines with new reticulation as well as the decommissioning of existing water supply lines and appurtenant works. The existing network consists mainly of asbestos cement pipelines that must be replaced due to regular failures.

East Central Arterial between John Ross Highway and Saligna/ Guldengracht



The project started in May 2009 and completed end of June 2010 except for some few snags as well as the John Ross intersect. An allocation of R 23.7 million was

made available within two financial years (08/09 and 09/10) for this project. The works comprised of the construction of a dual carriage way approximately 1 km south of Guldengracht up to the John Ross and 200m North of Guldengracht to tie in with the existing East Central Arterial. The works include the upgrading of both intersections.

This means that certain parts of the main contract, 8/2/1/297, will spill over into the 2010/2011 financial year. These are as follows: (1) Signalisation of two intersections at a cost of R714 000,00 (2) Power supply and street lighting at a cost of R1 761 000,00 (3) Construction of the East Central Arterial and John Ross Highway intersection as undertaken by DOT at a cost of R3 025 000,00.

Extention to Existing Undercover Parking

The project started in July 2009 and was anticipated to be completed end of May 2010. However, the project was not completed in time due to the contractor failing to expedite the works and penalties were applied from the end of May 2010. The project would provide additional 101 parking bays that will total up to 216 parking bays.

Canalisation of eSikhaleni Stormwater



before

after

The project started in August 2009 and completed end of May 2010. The contract was primarily based on the hire of plant and labour to undertake maintenance type work on the existing storm water system within the town of eSikhaleni and along the areas adjacent to the stream. The works consisted of the following tasks:

- De-silting of concrete-lined trapezoidal open channels.
- Cleaning and shaping of earth-lined open channels.
- Earthworks associated with grading of earth drains.
- Provision of As-built survey for all work undertaken.

This was done to enable the streams or storm watercourses to drain properly and built up a database there after so that we could be in a position to monitor these streams and clean them regularly.

New Industrial Water Main

The project started in June 2009 and completed end of June 2010. Richards Bay CBD and suburbs are supplied with potable water from the Mandlazini Reservoirs through a ring main following MR231, the West Central Arterial, the Harbour Arterial and the western boundary of Alton. Analysis of the present and future demands of the City found it to be critical to upgrade the section of the ring main between the Mandlazini Reservoirs and the West Central Arterial to meet peak plus fire fighting demands. Potable water is pumped to the reservoirs from the Mzingazi WTW through this ring main and interconnecting bulk mains. All of the bulk mains and the ring main operate both as gravity mains and pumping mains. A strategic decision was taken to separate these 2 functions and to use the existing mains as the gravity mains supplying water from the reservoirs and to install a dedicated rising main from the Mzingazi WTW to the Mandlazini Reservoirs.

The works consisted of the construction of 2400 m of 1200 mm Ø, 138 m of 800 mm Ø and 400 m of 355 mm Ø bulk potable water mains, associated fittings and associated structures from Mandlazini Reservoirs to the CBD in Richards Bay.

DEPARTMENT OF COMMUNITY SERVICES

- Recreation and Environmental Services
- Clinic Services
- Traffic and Licencing
- Fire and Rescue
- Waste Management Services
- Environmental Health
- Museum
- Library and Hall Bookings

1. Recreation and Environmental Services

Sport and recreation development

Short and long term objectives for this section are:

- To proactively address the promotion of sport in the rural areas through the established sport and recreation structures and presentation of programmes and activities to these communities
- To establish closer links with district sport federations by means of co-operative governance, including reinforcing the existing relationship with government structures as well as federations at all levels
- To restructure several local community based structures to ensure efficiency and streamlining
- To ensure the existence of skills development, education and training of sport administrator's technical officials and coaches by presenting courses and workshops through SETA-accredited service providers.

Milestones and achievements during the year under review include the following:

Beach Soccer Tournament

In collaboration with Durban Stars, who are custodians of Beach Soccer in the province, the Department presented the Beach Soccer Corporate Cup where all companies within the City participated. Winners represented uMhlathuze at the provincial games in Margate.

Kwanaloga Games

These games are played in all municipalities with an aim of unearthing and developing new talent. Athletes are selected during elimination games to represent their respective wards, clusters, local and district municipalities at provincial level. These games have grown tremendously with new sport codes being introduced almost every year.

National Netball Tournament

In collaboration with Zululand Netball Association, the City hosted the National under 19 and 21 Netball Tournament. More than 1 000 athletes and officials from all over the country ascended to our shores to participate in a week long event, which also contributed to the City's GDP.

Provincial Youth and Juniors Athletics League

In partnership with KZN Athletics, the City hosted the Provincial Juniors and Youth Athletics league. Athletes from all over the province participated in this daylong event held at eSikhaleni. This benefited our athletes since previously for them to participate in Provincial competitions; they had to travel to Durban.

FIFA 2010 Soccer World Cup Public Viewing Area

Having successfully hosted the 2009 FIFA Confederations Cup Public Viewing Area at eSikhaleni, the City was identified as the host for the 2010 FIFA Soccer World Cup PVA. On the 11th June 2010, about 20 000 spectators packed eSikhaleni Sport Complex to witness Bafana Bafana taking on Mexico. Due to large numbers at eSikhaleni, that PVA was the only one in the province with live TV crossovers on the final day. Mayor AZ Mngayi was interviewed live on SABC 1 on the day. In total, 69 105 people attended eSikhaleni PVA on eight selected days thus making it the second most attended PVA in the Province.

Education and training

To develop skills for technical officials, workshops for different sport codes were presented. Codes that benefited the most were football and athletics. Facilitators from National SAFA offices conducted an Introductory Soccer Coaches Course, which lasted eight days. Coaches who did well are now eligible to enrol for SAFA Level 1 coaching. For Athletics, two workshops were conducted, one for team managers and the other for coaches.

Aquatics

The "Learn to swim" and "Ocean awareness" programmes continued as part of the department's commitment to improving the swimming skills of children, particularly those in the rural areas.

Sport and recreation amenities

Swimming Pools

The swimming season opened on 1 September 2009 with some swimming pools having being upgraded. The staff room and staff ablution facilities at the Arboretum swimming pool, cashiers and lifeguard office at the eSikhaleni swimming pool as

well as the lifeguard office and first aid room at the Meerensee swimming pool were up graded creating a more suitable working environment for the employees.

EVENTS

All the swimming pools hosted regular school galas and the “Learn to Swim” programmes. Schools from the outskirts of neighboring towns visited the swimming pools for excursions. All club level galas have moved to the Arboretum swimming pool due to the suitability of the pool to host FINA standard swimming galas.

The swimming season closed on 30 April except for Brackenheim swimming pool which remained open for Mr Price Seagulls Swimming Club for coaching purposes.

BEACHES

Council’s beaches are protected for several kilometers by shark nets. This together with favourable weather conditions makes the Richards Bay coastline popular among bathers, surfers and the fishing fraternity. This year the Soccer World Cup attracted several international media representatives who filmed the City’s scenic beaches in order to promote Richards Bay in their countries.

EVENTS

The following events were hosted during the past year:

- Four surfing competitions
- Two modelling contests
- Four boogie boarding competitions
- A surf ski competition
- Several fishing competitions
- Three beach soccer tournaments
- A beach volleyball tournament.
- L Vovo, a local rap star, performed live at Alkantstrand beach
- A shark dissection educational programme

Pilot Blue Flag status has been reinstated and Council strives to maintain as many criteria as possible to provide a well-maintained beach for all and to achieve the coveted full Blue Flag status. The beach has a minimum of four professional lifeguards, with the most modern rescue equipment including a jet ski, rubber duck and quad bikes. The rehabilitation of dunes is ongoing.

The festive season averaged about 11 000 bathers daily and about 150 000 on New Year’s Day. During these days a number of rescues were performed with no serious fatalities during hours.

Complementing the beach facilities is the newly opened skate park adjacent to the beach parking area, which hosts many competitions during weekends and school holidays.

The beach facilities are manned 24 hours daily by uniformed security guards and the SAPF do regular patrols, mainly during weekends and public holidays. The public are being educated and are abiding by the “no alcohol” rule at all beaches.

SPORT FIELDS

The demand for sport fields in the City is growing and the use of soccer fields in particular has increased dramatically due to the 2010 Soccer World Cup.

The uMhlathuze sports stadium was handed over in April and Council was proud to host the Nigerian Super Eagles during the Soccer World Cup. Nigeria used the stadium for their practice every day during their stay in Richards Bay and many Nigerian dignitaries visited the team at the new stadium.

Thanda Royal Zulu Football Club has now made the stadium its new home.

During the World Cup eSikhaleni College hosted a public viewing area for eight matches with about 18 000 soccer fans visiting this venue each day. Council is proud to boast that the security and emergency response team managed to prevent any form of disaster during the World Cup.

The Veldenvlei sport complex hosted the South African under 19 Netball championships, which attracted the country's best u/19 netball players to our City.

All sport fields in the rural areas are fully utilised by young and old on daily basis. Events such as cluster games and company tournaments are ongoing in the township facilities. Application for Lotto funding to develop more sport facilities is ongoing.

CEMETERIES

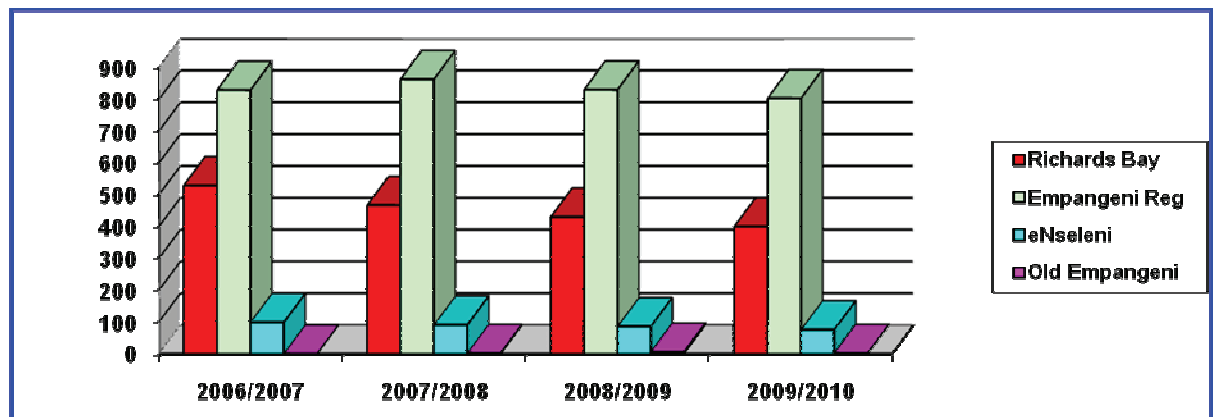
The operational budget was R6,438 million and the total expenditure was R5,526 million. A total of 1 284 interments were accommodated in the City's cemeteries, which equated to approximately 24 per week with an income of R1 117 871 million.

There is one regional cemetery and four cemeteries under the custodianship of the City of uMhlathuze. The Empangeni Regional Cemetery was developed by the uThungulu District Municipality and has been fully administered by this Section. However, due to the opening of the eSikhaleni Cemetery the administration of Empangeni Regional Cemetery was handed back to uThungulu District Municipality at the end of June 2010.

The City spent a total of R10 859 208 million on the development of the eSikhaleni Cemetery. The project has had a long journey in becoming a reality. The project was started in 1991 and with hard work and perseverance the City of uMhlathuze officially opened the gates to the Cemetery on 26 July 2010. The cemetery was built close to the community to ease the burden of people traveling long distances to bury their loved ones, as well as making it easier for family members to visit the gravesite.

The conservation, upkeep and maintenance of our cemeteries is a dedicated full time, 24 hours per day business. Cemeteries are not only regarded as areas of remembrance to honour the deceased, but also provide opportunities to create green footprints within urban belts. To walk through the City's cemeteries is to explore the City's own history.

Internment statistics of the cemeteries:



HORTICULTURE

The magnificent diversity of fauna and flora reflect the real splendor of the unique coastal environmental within uMhlathuze's boundaries. The operational budget was R30 401 800 million with a total expenditure of R28 121 million.

Alien/Invader Plant Eradication and Tree Planting

The Department increased efforts to control alien/invader plants, clearing 2 319,47 hectares of densely invaded areas in an effort to create and maintain an acceptable and balanced environment. This was achieved with the assistance of the Provincial Department of Agriculture and Environmental Affairs. The total sponsor project amounted to approximately R3,2 million consisting of nine teams each with 15 team members.

During the 2009/2010 tree planting period, a total of 2 169 indigenous trees were planted. Among the areas/communities that benefitted from these projects were, Tanduyise D. Awol project and a number of schools within the City's borders.

The local communities are urged to cultivate indigenous flora which will in turn not only ensure beautiful and healthy plants suited to local conditions, but also the satisfaction of knowing that they are helping in the conservation of a precious heritage.

2. Clinic Services

uMhlathuze Municipality Primary Health Care Services are provided from the main clinics of Richards Bay and Empangeni as well as six satellite clinics as indicated in the table below:

Table 1. Total Attendances Per Primary Health Care Facility For 2009/2010

Facility Name	Physical Address	Service Day	<u>Total</u>
Aquadene	Achorus Anchor	Mondays 08.00 - 15.00	3 268
Baptist Church	Corner President Swart and Cassia	Tuesdays 08.00 - 15.00	3 553
Brackenham	Dicksonia Drive	Thursdays 08.00 - 15.00	11 211
Civic: Empangeni	Turnbull & Pearce Crescent	Daily Monday 08.00 - 15.00 Friday 08:00 - 12:30	111450
Civic: Richards Bay	Corner Mark Strasse and Lira Link	Daily Monday 08.00 - 15.00 Friday 08:00 -12:30	103 647
Felixton	Thuthuka Mall, Shop No 4	Wednesdays 08.00 - 12.30	2 342
Zidedele		Mondays 08:00 -12:30	1205
Meerensee	56 Anglers Rod	Wednesdays 08.00 - 15.00 Fridays 08.00 - 12.30	20 903
Total Attendees			257 579

A total of 257 579 clients attended the City's Clinics (excluding clinics in eSikhawini, Vulindlela, Ngwelezane and eNseleni) for primary health care services. Of the total, 118 550 visited Empangeni Civic and satellite Clinics (Felixton, Zidedele and Baptist Church) and 139 029 attended the Richards Bay Civic Clinics (Aquadene, Brackenham and Meerensee).

Common Disease Conditions: 2009/2010

Disease/Conditions	Total
Diabetes Mellitus (New)	233
Diabetes follow -up visits (Chronic)	11 455
Diarrhoea < 5 years – (New)	832
Hypertension visits (New)	505
Hypertension follow -up visits (Chronic)	28 527
Scabies (New)	201
Sexually Transmitted infections (New)	6 473
Tuberculosis	8 587

Preventable disease conditions are prevalent in the City. More health information needs to reach the community in order to prevent disease conditions like Tuberculosis (8 587), Sexually Transmitted Infection (6 473), Hypertension (28 527) and Diabetes (11 455).

Mother, Woman and Child Health Service

Disease/Conditions	Total
Immunisation under 5 years	16 144
Total Family Planning	22 572
Ante natal first visit	1 874
Ante natal repeat visits	5 150

HIV/AIDS	8 812
VCT HIV Positive Females	2 042
PMTCT: HIV Positive Pregnant Women	641
PMTCT: HIV Negative Pregnant Women	1 257
VCT Males: Positive	1 020

Out of 5 489 female clients who visited the clinic for a HIV test, 2 042 tested positive as according to VCT/PMTCT figures above while 3 323 male clients visited the Clinic for a VCT/HIV test during this period, 1020 tested positive to HIV virus.

Table 5 Chronic Care: Antiretroviral Treatment (ARV`s)

Adults	Children	Total
1876	106	1982

Once placed on the ARV programme and stabilised by the Ngwelezana Thembaletu Clinic, clients are referred back to their Clinics for easy access to treatment and for continuity of care.

Table 6. Animal Bite: Prevention and Treatment Programme

Animal	Total
Dog Bite	213
Cats	0

Rabies is usually transmitted through infected saliva as a result of a bite from an infected animal. It is an entirely preventable disease and the most effective way to prevent in pets is through vaccination.

Specialised Campaigns

Three campaigns were held during the reporting period. In September 2009 Vitamin A, D worm and Growth monitoring was done and a total of 5 530 children were seen.

In April 2010 a Polio and Measles campaign was held for all children in the age group of 0 to 5years for Polio and 6 months to 15 years. 21 218 children were seen in the first round. A total of 6222 children received polio and/or Vitamin A during the second round of the campaign.

The third campaign was H1N1, which started in May 2010, and the target population was all front line staff including Port staff, border police, children on ARTs, health care workers and pregnant women. A total of 1 017 people were immunised.

3. Traffic and Licencing

The objective of this section is to ensure the effective flow of traffic in compliance with road traffic safety and legislation. Other responsibilities include law enforcement, road safety education, traffic control, crime prevention, scholar patrols, and investigating public complaints. Responsibilities of a technical nature are the

erection of road traffic signs, fixing and painting of road markings and signs as well as maintenance of roads.

The City's traffic officers worked tirelessly to ensure the success of the 2010 Soccer World Cup locally by providing security and escort duties for the Nigerian team and delegates.

The main licensing functions at the Motor Licensing section are registration, licensing and renewal of motor vehicles within the boundaries of the uMhlathuze municipal area. The section also caters for the renewal of driver license cards and learner license testing.

Total number of vehicles registered:	20 446
Total number of vehicles licensed:	77 744
Learners licensed tested:	10 187
Learners licensed issued:	5040
General offences:	10 697
Child in traffic training:	11
Technical km roads painted:	268,3
Roadblocks:	32
Total number of Warrants executed:	1010
Nuisances - dog licenses checked:	2009
Nuisances – vendors checked:	5094
Total number of M.V.A attended:	1188
Total number of fatalities:	15

4. Fire and Rescue

The Fire and Rescue Services excelled once again in the quality and quantity of the service that it provides to the community. This included the manning of the after-hours complaints line, which provides the link between other Council departments and the community pertaining to any after-hours complaints and enquiries. Loss of life and property has been kept to a minimum due to effective fire fighting and fire prevention activities. This is due to the dedication and loyalty of all staff that have once again gone that extra mile for the community that they protect and serve.

During the year the Fire Brigade personnel rendered the following services:

- **806** Fire related incidents, **674** Rescues, **25** Medical Emergencies, **4** Hazardous Material incidents and **114** Special Services were attended to.
- **1634** Fire Prevention inspections were carried out.
- The Fire Brigade Control Centre processed **11 819** fire related and **15 511** non-fire related telephone calls.
- The total damage caused by fire was **R26 596 610.00** whilst the estimated value of property threatened by fire was **R341 619 500.00**.

Operational tasks of special interest include the following:

FIRES OF INTEREST

- Two thatched-roof rondavels and their entire contents were destroyed by fire, heat, smoke and water at eSikhaleni.
- A conveyer belt caught fire at the Harbour Export Section. The suspected cause of fire was a faulty, slipping conveyer that caused friction, overheated and subsequently ignited the conveyer belt.
- A sulphur fire was reported at Foskor where approximately 16 000 tons of sulphur was stored in a warehouse. The fire started on one of the conveyer belts. Fire fighting continued for 18 hours until the fire was completely extinguished.
- A Lecture Room and Satellite Room with its contents (computers, chairs and tables) were destroyed by fire, heat, smoke and water at the University of Zululand. The cause of the fire is suspected to be arson.
- A brick house under corrugated iron sheets, as well as the house contents, was destroyed by fire, heat, smoke and water at Mandlakala.
- A woodchip fire occurred at Mondi Business Paper. Two low pressure, high volume attack lines (jets) were used from the fire engine. A number of factors are thought to have triggered this natural phenomenon (fire or combustion) such as heat, moisture and biological degradation of micro organisms in the woodchips. With a moisture content of 40% of a pile of more than 12 meters, the biochemical reaction can take the fuel temperature from an initial 10 to 20 degrees Celsius up to 90 degrees Celsius.

Disaster Management

Community Disaster Management Awareness Campaigns

A number of Disaster Management Awareness Campaigns were conducted within the community of uMhlathuze to capacitate them about Disaster Management, especially steps to be taken during and or after the occurrence of catastrophic events. Complementing these campaigns were additional campaigns conducted on an ad hoc basis during community meetings by councillors.

The campaigns yielded positive results when one considers that human induced disaster incidences have declined compared to previous years. This implies that the community is using the information provided to them to reduce their vulnerability to such risks.

Disaster Risk Assessment project

The Municipality appointed a service provider to conduct a disaster risk assessment within its area of jurisdiction for the purposes of compiling a disaster risk profile.

The risk profile will be coupled with disaster management contingency plans, which will be outlining how the identified risks should be addressed in terms of prevention and mitigation to reduce the vulnerability of the community.

This project will be completed on the 31 August 2009, at which time the service provider shall hand over all documents to the Municipality for implementation.

Benefits

- The Municipality will be able to make reference to all areas in terms of understanding which risks are imminent in which areas and thus proving the necessary relevant risk reduction strategies in such areas.
- During the process capacity building took place both from the community and government institutions as well as non-government institutions.

Emergency drills/simulations

The Municipality, in collaboration with the private sector and government institutions, was able to conduct a number of simulations within the municipal area to ensure a state of emergency preparedness during emergency situations.

Such drills were conducted with great success, which indicate the smooth relationship that exists among these institutions. This is an ongoing process that should be intensified for the purposes of primarily ensuring the safety of the people and secondary to protect property and infrastructure.

Disaster incidents

Again both natural and human induced disaster incidents occurred and the Municipality provided emergency assistance. Provision of relief was also undertaken where needy communities were identified. In addition the community of Iniwe received relief from the Department of Local Government and Traditional Affairs for a disaster incident that occurred in 2006.

Emergency Evacuation also took place where necessary especially along the Mzingwenya river during flash floods. Incidents that occurred during this period are as follows:

- Floods
- Hail storm
- Heavy wind
- Fires (both structural and veld)

Updating of the Disaster Management Plan

The Municipal Disaster Management Plan was updated on two occasions as is required by the Municipality. This is to ensure that all the information contained in such plan is relevant, up to date and can be utilised at any given point if the plan were to be activated.

Public viewing areas

The Municipality hosted two public viewing areas at eSikhaleni and Veldenvlei Sports Stadium for the Confederations Cup as part of 2010 readiness. A contingency plan was put together for the same and its implementation was very successful in that, during the events no major incidents were registered.

Such an event provided a reflection of what should one expect during the 2010 FIFA World Cup. Indeed the PVA at eSikhaleni College during the World Cup was professionally managed in terms of Disaster Management, especially considering the immense popularity of the venue.

5. Waste Management

Waste removal service is a requirement in terms of the National Environmental: Waste Management Act, Act 59 of 2009 as it supports the Constitution of South Africa, which requires that the environment be conducive to healthy living for all citizens of this country.

The local municipality is tasked with the function of ensuring that waste is collected, transported and disposed off in a legally acceptable manner. In this way the environment is protected, public health is promoted and environmental pollution is prevented.

To ensure that waste handling is conducted in terms of the national standards the following functions were performed:

1. Waste collection and disposal at a permitted landfill site;
2. Recovery of usable materials through a recycling project
3. Collection and removal of illegally dumped waste
4. Involvement in audits for the Greenest Municipality Competition

Waste collection

The quantities of waste removed and disposed off by the City is about 61 354 tons for the abovementioned period. Although recycling is being done, the City is still disposing a large amount from the previous fiscal year as the refuse removal service has been extended to incorporate the tribal areas, which became part of the City in terms of the new demarcation.

Recycling

The Alton transfer station is engaged in recycling of various materials for reuse such as metals, plastic bottles, card box paper, plastic bottles and plastic paper. Community members are doing recycling and they benefit from that as a source of income as they are unemployed. For the abovementioned period 195 tons were recovered from waste. Since only Meerensee is doing kerbside recycling, it is hoped that the establishment of transfer stations in all suburbs will yield an even greater number of recyclables. Council has budgeted R1,2 million for the eSikhaleni transfer station that is due to start operating around 2011. Preparations are under way for consultants to do Basic Assessments in order to get permission to construct the transfer station.

Illegal dumping

There is still a great need to educate the communities about the problems of illegal dumping. The department collects and disposes of various types of refuse. Garden

refuse accounts for 28 692 m³ while other waste consisting of building rubble amounts to 320 000 tons. This presents a problem to the City as most of this waste is collected free of charge and therefore does not bring in revenue.

Greenest/cleanest municipality

The City still tops other municipalities in the province as a result of compliance to required standard by the Department of Environmental Affairs. In 2009 the City received the first prize of R515 000 and trophies. This is recognition of the good work performed by employees and follows the 2008 award for the Cleanest Town. Part of these awards is used in community empowerment and education as required by the Department of Environmental Affairs.

Expanded service delivery

All citizens should benefit from service delivery. Therefore, Council has engaged the tribal communities in waste removal services. There are 130 refuse skips located centrally to communities in tribal areas for collecting waste. With environmental awareness, more people will realise the importance of living in a clean environment. Involvement of communities in clean-up as well as local schools is another way of encouraging communities to take care of their environment.

It is the intention of the department to continue to improve on service delivery in order to reach a point of an efficient and effective service delivery for all citizens of the City with the limited resources available. The City's turnaround strategy will be applied to ensure such improvement is achieved.

6. Environmental Health Services

Environmental Health Services perform numerous functions, some of which are incorporated under Municipal Health Services, which in terms of the National Health Act No. 61 of 2003, includes:

- (a) Water quality monitoring
- (b) Food control
- (c) Waste management
- (d) Health surveillance of premises
- (e) Surveillance and prevention of communicable diseases, excluding immunisations
- (f) Vector control
- (g) Environmental pollution control
- (h) Disposal of the dead; and
- (i) Chemical safety

Achievements

Rabies cases and vaccinations

No rabies cases were reported during the year under review within the area of jurisdiction of the City of uMhlathuze.

The State Veterinarian with the assistance of the City of uMhlathuze Environmental Health section undertook month-end clinics and bi-annual rabies vaccination campaigns in urban areas and an annual rabies vaccination campaign in peri-urban and rural areas. The campaigns proved highly successful with a total of 6 259 of animals being vaccinated against rabies.

This is a major achievement and the dramatic increase in the number of animals vaccinated against rabies is encouraging and indicates that communities are responding positively to the rabies campaigns and in doing so are assisting in preventing the transmission of rabies.

Canine Ecology Survey - eSikhaleni

The Environmental Health section participated in a Canine Ecology survey, which was conducted in eSikhaleni and surrounding areas. The survey aimed at establishing the number of dogs in the area, the number of dogs vaccinated against rabies, the community's social status, and the community members' knowledge of rabies.

Health Education

68 health education sessions were undertaken during the year and 756 informal traders were educated prior to the informal traders being issued with informal trading/vending permits. This included the traders trading at the 2010 Soccer PVA held at eSikhaleni.

A total 3077 people and students were educated on Swine Flu, personal hygiene, food hygiene, correct use of pit latrines, recycling and environmental awareness.

Malaria

No local transmission of malaria occurred within the City of uMhlathuze during the period under review. Malaria continues to be closely monitored by all stakeholders and case investigations of the malaria cases revealed that the reported cases were contracted from the far northern areas of Kwa-Zulu Natal and neighboring Southern African countries and were therefore classified as imported cases

Swine Flu (H1N1)

In July 2009, this office was notified of the first confirmed swine flu case within Council's area of jurisdiction. The case originated from a group of children who participated in the KZN Youth Choir, which had travelled overseas. Several cases subsequently were reported from schools within the area. In an attempt to curb the spread of the swine flu, schools and communities were given information pamphlets containing the preventative measures that could be implemented to prevent the spread of the swine flu. Health education was also conducted at schools within Council's area of jurisdiction.

Statistics

Inspections and investigations pertaining to Environmental Health included:

829	Complaints received and investigated
162	Air pollution complaints received and investigated
733	Vacant overgrown properties inspected
123	Private overgrown properties cleared by Council at a cost to the owner
2244	Food premises inspected in terms of legislation.
93	Certificates of Acceptability issued to food premises
115	Business licences commented on
64	Samples taken in terms of the Foodstuffs, Cosmetics and Disinfectants Act
39 798 kgs	Unsound foodstuffs destroyed as unfit for human consumption.
417	Inspections carried out at the child care facilities
365	Inspections carried out at bed and breakfasts establishments
105	Building plans scrutinized from a health point of view
99	Inspections at funeral parlours
117	Number of animal bites recorded and investigated
34	Pauper and destitute burial applications approved and undertaken by Council
292	Inspections at industrial premises
19	Cases of Malaria classified as imported
358	Meetings and workshops attended

7. Museum

Interesting and varied exhibitions were held at the Museum including a display of old equipment, including cameras, typewriters and historical photos of Empangeni and Richards Bay.

Prominent displays of local artwork included the matric art work from Empangeni High School, which was adjudicated by the KwaZulu-Natal Education Department, an exhibition of art and crafts from the great uMhlathuze area as well as the bi-annual Mondi Eisteddfod, which is a showcase of the young talent in local schools.

A KZN Craft Exhibition of craft works collected by the five provincial galleries portrayed the different styles and type of works found in the various areas of the province while several local artworks were selected from the Biennale 2010 for the Jabulisa 2010 provincial exhibition.

The Museum's permanent collection was also put on display and a further seven art works, including paintings and a sculpture, were purchased during the year to expand the collection. Six of these were purchased from the Natal Arts Trust.

8. Library and Halls

Halls and Thusong Service Centres

The uMhlathuze Municipality owns 14 halls, including the uMsasandla Thusong Service Centre. During the financial year the following work was carried out:

- Aquadene, Hlanganani and Brackenham halls were upgraded to an acceptable standard
- eNseleni and Vulindlela halls were extended as per the community needs
- Bhejane Hall at KwaKhoza Traditional Authority was refurbished. A relationship with local Amakhosi is still maintained by the Municipality.

In August 2009 the Community Services Needs Assessment was carried out to ensure that the community needs are catered for in the Thusong Service Centre. Wards 10, 11 and 30 were earmarked for uMsasandla Thusong Service Centre and Ward 18 for Port Dunford Thusong Service Centre. There were a total of four (4) meetings conducted in an attempt to complete this assessment. The above exercise enabled the Municipality to establish the Local Inter Sectoral Steering Committee (LISSC).

The LISSC was established and launched in November 2009, at which time the stakeholders, being the three spheres of Government, Traditional Leadership and NGO's, committed to provide services and information in an integrated manner to the Thusong Service Centres and within the surrounding of the City, closer to where the communities live. The LISSC has subsequently held two meetings.

Libraries

Libraries across South Africa are migrating to Open Source technology in line with government's IT Strategy and uMhlathuze was chosen to launch the project in KwaZulu-Natal. The project entailed replacing the outdated Public Application Library System (PALS) with Brocade, which offers updated technology and software. Although not Open Source itself, it uses an Open Source database and interfaces with Open Source products.

This new technology is a welcome improvement as it is more user friendly and gives the public access to the provincial library catalogue, enabling them to see what books are outstanding as well as what fines are payable.

Six of the City's seven libraries, with the exception of Brackenham, offer computer and Internet services to the community free of charge. This is having a strong impact on the utilisation of libraries. Some people who never set foot in a library have become frequent visitors.

This project is benefitting library members by:

- Giving scholars access to the Internet with a selection of relevant and useful links to information;
- Providing skills development through opportunities to learn how to use computers by children and adults who have not had prior access or experience;
- Providing distance learning students with access to e-mail, the Internet and to computers to type out assignments, job applications, letters; and
- Giving the public the opportunity to create e-mail addresses for themselves and to regularly check their e-mail.

Library statistics:

LIBRARY	CIRCULATION	VISITORS	MEMBERS
RICHARDS BAY	171244	195697	6199
EMPANGENI	81250	167919	5962
ESIKHALENI	18902	121103	3605
BRACKENHAM	14756	± 15000	1657
ENSELENI	9544	102568	3398
NGWELEZANE	6485	128393	1288
FELIXTON	±5000	± 9000	± 450
TOTAL	307181	739680	22559

CHAPTER 4

AUDIT COMMITTEE REPORT



CHAPTER 5

AUDITED ANNUAL FINANCIAL STATEMENTS: 2009/2010



The Honourable Speaker
Council of the City of uMhlathuze
Civic Centre
Mark Strasse
Richards Bay
3901

13 January 2011

Dear Sir

Audit Committee's Report to Council

The Audit Committee of the City of uMhlathuze has pleasure in submitting its sixth report to the Council of the City of uMhlathuze. This report is submitted in terms of the provisions of sections 121(3)(j), 166(2)(b) and 166(2)(c) of the Municipal Finance Management Act of 2003 ("the MFMA") and covers the financial year from 1 July 2009 to 30 June 2010.

Members

1. The following persons served as members of the Audit Committee for the year under review:

JM de Wet – Chairperson
BB Mdletshe
H Oosthuizen

There is no nominated municipal employee currently serving on the Audit Committee.

Overview of activities

2. The Audit Committee had four formal meetings during the period covered by this report. These meetings were held on 15 December 2009, 11 February 2010, 29 April 2010 and 17 June 2010, respectively. The Audit Committee therefore complied with the provisions of section 166(4)(b) of the MFMA which requires the Audit Committee to meet at least four times per year.
3. The following matters were dealt with at these meetings:
 - The Internal Audit Plan for the 2009/2010 financial year was considered and approved;
 - At each of the four meetings, a report from the internal auditors was tabled, discussed and approved;
 - At each meeting a progress report of actual work done as measured against the Internal Audit Plan, was considered;
 - Attention was given to Council's Performance Management System by considering reports from Council's Performance Management Committee;
 - The report of the Auditor General on the audit of the financial statements and performance information for the year ended 30 June 2009, was received and considered.

3/5/3/1

uMhlathuze Municipality	
File No/s:	
Referred: Dept:	CORPS
Division:	
Sections:	
13 -01- 2011	
Comments:	
For information:	CFO
Section / Official Responsible for action and reply:	SARAH

Report

4. For purposes of executing its statutory duties as contained in section 166(2)(a) of the MFMA as well as its mandate as set out in the Audit Committee Charter, the Audit Committee relies on the work done by internal audit which has been outsourced to PricewaterhouseCoopers, a firm of professional services providers.
5. In order to be able to rely on the work performed by internal audit, the Audit Committee has to satisfy itself that the quality and scope of the work performed by internal audit is sufficient to be able to place the necessary reliance thereon, that the internal auditors could do their work without any restrictions and that the internal auditors are, at all times, fully independent. It is the view of the Audit Committee that the work performed by internal audit is of a high standard, that it is properly planned and controlled and that the reporting is detailed and comprehensive. There is also sufficient evidence that internal audit findings are discussed with the responsible officials and that implementation of corrective measures that have been agreed upon, are followed up regularly. Consequently we have no hesitation in relying on the work performed by internal audit for purposes of executing our mandate. We are therefore in a position to advise Council that as far as matters relating to internal financial control, the adequacy, reliability and accuracy of financial reporting, performance management and evaluation, effective governance and compliance with the MFMA and other relevant legislation are concerned, the internal audit reports considered by the Committee have not revealed any material issues that may compromise any of these functions or responsibilities. This comment should however be read with our concerns and recommendations which are dealt with in paragraph 9.
6. Section 166(2)(b) of the MFMA requires the Audit Committee to “review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation”. For these purposes, the Audit Committee relies on the work performed by the Auditor-General during its audit of the financial statements of the municipality.
7. The members of the Audit Committee reviewed the financial statements and the report of the Auditor General for the year ended 30 June 2010 and can report as follows:

Auditor General's report on the financial statements

- The Auditor-General's report on the financial statements has been noted. In this regard it is pleasing to note that the Auditor-General expressed an unqualified audit opinion on the financial statements for the year ended 30 June 2010 but with emphasis of matter items relating to significant water losses in the amount of R10,578m and the restatement of corresponding figures as a result of errors discovered during the year ended 30 June 2010.

Auditor General's report on other legal and regulatory requirements

- The Auditor General also reported on other legal and regulatory requirements for the year ended 30 June 2010. In this report the Auditor General reported a number of findings where predetermined objectives and legal requirements had not been met. These matters were discussed at a meeting with the Auditor General, the Audit Committee and members

of senior management. Management has undertaken to give their urgent attention to these matters during the 2010/2011 financial year.

Auditor General's report on the regularity audit

- The Auditor General's report on the regularity report for the year ended 30 June 2010 was discussed in detail at a meeting between the Audit Committee, the Auditor General and senior management on 15 November 2010. Senior management took note of the findings and have undertaken to address these matters during the course of the 2010/2011 financial year.

Comment on the financial statements for the year ended 30 June 2010

- Council recorded a deficit for the year in the amount of R115m (2009: R220m). This deficit is, to a large degree, attributable to an additional depreciation charge on infrastructure assets which had to be brought into account as required by GRAP.
 - Cash and cash equivalents decreased by R55m (2009: increased by R19m) during the year under review. Operating activities generated positive cash flow of R99m (2009: R69m) whilst additional borrowings contributed R125m (2009: R356m). Investing activities required net funding of R279m (2009: R405m) of which R224m (2009: R273m) was spent on additions to infrastructure.
 - The ratio of current assets to current liabilities deteriorated from 0.94:1 in 2009 to 0.79:1 in 2010 and this could be an indication that future cash flows could come under pressure.
 - Trade receivables (before provision for bad debts) increased by 30% from R110m to R143m. The overdue portion of this debt increased only marginally from 25% to 26% during the year. This situation required only a marginal increase in the bad debt provision from R14.8m to R15m. It would therefore appear that the City's credit control section is effecting proper debt management for the whole City.
8. Insofar as the provisions of section 166(2)(c) of the MFMA are concerned, we can report that, in our opinion, there are no issues raised by the Auditor General in the audit report which require specific response to Council.

Concerns and recommendations

9. During the course of our meetings and discussions during the period under review, a number of important issues came to light which the Audit Committee believes should be brought to Council's attention. These matters are dealt with below:

The governance of risk

- 9.1 The governance of risk is, in the view of the Audit Committee, a cornerstone of good corporate governance and Council has, in our opinion, the responsibility to ensure that the governance of risk becomes an integrated part of the day to day management of Councils' affairs.
- 9.2 During the course of the financial year, internal audit conducted a detailed risk review and compiled a Detailed Risk Register as well as Detailed Risk Registers per Department which served before the Audit Committee on 11 February 2010. It is the view of the Audit Committee that these registers should be used as live documents and that the information contained therein

should be integrated with the day to day running of Council's affairs and that it should also play a major role in influencing Council's planning and strategies for the future. The Risk Register should also be revisited on a regular basis to ensure that it remains relevant.

The governance of information technology

9.3 As reported previously, the Audit Committee remains concerned at the slow pace at which the IT Strategy is being finalised and implemented. At the Audit Committee meeting held on 15 June 2010, the Audit Committee was informed of Council's decision to cancel its contract with GijimaAST and to insource its ICT services with effect from 1 July 2010. The Audit Committee expressed its concern about the short time period which was allowed for the setting up of the necessary in-house infrastructure, the recruitment of staff, etc. and this concern was borne out by the fact that subsequently, certain elements of the GijimaAST contract had to be extended in order to ensure that the functionality of the IT infrastructure was not compromised.

9.4 In the Detailed Risk Register referred to above, Information Technology failure is rated as a risk with catastrophic impact. The Audit Committee is, at this stage, not convinced that the in-house management of all IT related functions has been properly bedded down and this therefore remains a cause for concern.

9.5 We do note, however, that a decision has been taken to establish an IT Steering Committee under the chairmanship of the City Manager and that internal audit will also sit on this committee. The duties and responsibilities of the ITSC cannot be over emphasised and the Audit Committee fully supports the establishment of the ITSC.

Reporting and disclosure

9.6 The preparation of Council's annual financial statements is governed by various International Financial Reporting Standards, Generally Recognised Accounting Standards and Generally Accepted Municipal Accounting Standards. In addition, there are a number of financial reporting requirements issued by National Treasury which have to be complied with. Full compliance with these Standards was required for the year ended 30 June 2010. In spite of the substantial compliance burden which these standards require, Council's Treasury Department managed to comply with these standards to the satisfaction of the Auditor General and Treasury should, in our view, be congratulated with this achievement. Future compliance with financial reporting standards will however continue to place severe strain on existing financial capacity and infrastructure. It is therefore crucial that Council acknowledge the importance of maintaining and improving its financial capacity to meet this future challenge.

Internal audit

9.7 The Audit Committee remains concerned at the slow rate at which outstanding audit queries are resolved. Unresolved audit findings are listed and carried forward from one meeting to next until those findings have been satisfactorily addressed by management. It has been the practice for this report to be tabled on a bi-annual basis. Both internal audit and the Audit Committee have been frustrated by the slow pace at which the majority of these issues are dealt with by management and it has also resulted in this report becoming voluminous and unwieldy and the follow up of outstanding matters requiring more and more of internal audit's time. This has led to internal audit proposing and the Audit Committee agreeing to remove

these outstanding items from the Audit Committee agenda and internal audit undertaking to take these matters up at their monthly meetings with management. We have also been informed that the follow-up of these outstanding queries is a standing item on the agenda of the weekly management meetings. We are hopeful that this change in procedure will provide the required results.

9.8 The internal audit contract of PricewaterhouseCoopers expired on 30 June 2010. Tenders had been called for, but at the time of writing this report, a new tender has not yet been awarded as Council is apparently considering insourcing the internal audit function. It needs to be stated that the Audit Committee has very serious reservations about this plan of action for the following reasons:

- Internal audit is a specialist function and requires specialist skills which are not readily available. In our opinion Council will find it difficult to attract and retain staff with the required skills.
- The internal audit function will have to operate within a certain policy framework and will have to establish methodologies and working protocols. Again, specialist skills and adequate time will be needed for these methodologies and protocols to be devised and implemented. Staff then also need to receive appropriate training in the practicable execution of these methodologies and protocols.
- The necessary time and budget will have to be set aside to allow internal audit staff to attend conferences, seminars and training sessions in order to stay up to date with newest developments in the internal audit environment.
- The cornerstone of a successful internal audit function is independence. Given the fact that the internal audit function will be a department within the municipality and that internal audit staff will be Council employees, the Audit Committee can foresee situations where the independence of members of the internal audit team could be placed under pressure. If this leads to the independence of a member of the internal audit team being compromised, it may cause the failure of the internal audit function.
- As indicated in paragraph 4, the performance and functioning of the Audit Committee is largely dependent upon on the work done by internal audit. If the internal audit unit cannot demonstrate that its work can be relied upon by the Audit Committee, the effective functioning of the Audit Committee will be compromised.

9.9 The Audit Committee has noted that the internal audit contract of PricewaterhouseCoopers has since been extended for a year. Council should, in our opinion, use this time to review their decision to insource the internal audit function and to either call for new tenders or award the internal audit contract on the basis of the tenders already received.

Other matters

9.10 It is of concern to the Audit Committee that during the period July 2009 to November 2009 no Audit Committee meetings were held. In our opinion, meetings should be scheduled on a strict quarterly basis and it is our request that this be considered when the meetings for the 2011 calendar year are scheduled.

Conclusion

10. The implementation and maintenance of proper systems of internal control, the prevention of fraud and error, the safeguarding of the assets of the municipality and compliance with relevant laws and regulations, are Council's responsibility. The role of the Audit Committee is to monitor the efficiency of the procedures and mechanisms which Council has put in place in order to ensure that its policies and procedures are adhered to. We can report that, taking into account the exceptions noted above and based on the reports submitted to us, that our overall impression is that the systems and procedures implemented by council are operating efficiently.

Yours faithfully

A handwritten signature in black ink, appearing to read 'JM de Wet', with a horizontal line underneath.

JM de Wet
Chairman – Audit Committee

CITY OF uMHLATHUZE



FINANCIAL STATEMENTS for the year ended 30 JUNE 2010

Table of Contents

	Page
Report of the Auditor-General	2
Statement of the Municipal Managers Responsibility	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes In Net Assets	6
Cash Flow Statement	7
Accounting Policies	8 - 17
Notes to the Annual Financial Statements	18 - 56
Appendix A : Schedule of External Loans	57
Appendix B : Analysis of Property, Plant and Equipment	58-59
Appendix C : Segmental Analysis of Property, Plant and Equipment	60
Appendix D : Segmental Statement of Financial Performance	61
Appendix E(1) : Actual Versus Budget (Revenue and Expenditure)	62
Appendix E(2) : Actual Versus Budget (Acquisition of Property , Plant and Equipment)	63
Appendix F : Disclosures of Grants and Subsidies in terms of the Municipal Finance Management Act	64 - 66

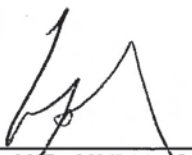
STATEMENT OF THE MUNICIPAL MANAGERS RESPONSIBILITY

City of uMhlathuze ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The uMhlathuze Municipality situated at 5 Mark Strasse, Richards Bay is a category B municipality, established in terms of section 12 (1) of the Municipal Structures Act, No 117 of 1998 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of 83 of the Municipal Structures Act.

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 66, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



N.P. NHLEKO
ACTING CITY MANAGER

25/11/2010
DATE

CITY OF uMHLATHUZE

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	RESTATED 2009 R
NET ASSETS AND LIABILITIES			
Net assets		3,718,006,667	3,833,165,141
Housing Development Fund	1	59,082,968	57,423,540
Accumulated surplus		3,658,923,699	3,775,741,601
Non-current liabilities		984,956,959	856,226,718
Long-term liabilities	2	834,359,959	725,519,718
Post employment medical aid benefits	29	150,597,000	130,707,000
Current liabilities		374,214,084	354,256,927
Consumer deposits	3	30,550,391	31,221,776
Trade and other payables	4	212,987,087	207,595,981
Provisions	30	16,793,680	15,957,783
Unspent conditional grants and receipts	5	41,529,959	43,760,808
Current portion of long-term liabilities	2	72,352,967	55,720,579
Total Net Assets and Liabilities		5,077,177,710	5,043,648,786
ASSETS			
Non-current assets		4,780,469,947	4,709,439,261
Property, plant and equipment	8	4,649,273,121	4,579,779,363
Investment property	10	123,601,788	123,764,086
Intangible assets	9	6,998,270	5,520,882
Non-current receivables	12	596,768	374,930
Current assets		296,707,763	334,209,525
Inventory	7	79,445,750	85,437,970
Trade and other receivables from exchanged transactions	11	128,510,329	95,808,222
Other receivables from non-exchanged transactions	13	8,155,251	16,379,199
VAT	6	19,962,672	20,397,021
Current portion of long-term receivables	12	391,916	759,234
Bank balances and cash	14	60,241,845	115,427,879
Total Assets		5,077,177,710	5,043,648,786

CITY OF uMHLATHUZE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	RESTATED 2009 R
REVENUE			
Property rates	15	148,561,253	125,068,126
Property rates - interest charges		1,628,428	1,350,171
Service charges	16	787,972,288	632,066,077
Rental of facilities and equipment		11,180,820	9,903,793
Interest earned - external investments		3,844,950	16,614,284
Interest earned - outstanding debtors		424,381	579,085
Fines		2,833,876	3,685,080
Licences and permits		1,842,247	1,744,922
Income for agency services		4,237,976	3,762,297
Government grants and subsidies	17	236,022,744	168,234,221
Public contributions		175,374	6,446,427
Other income	18	50,917,408	25,139,322
Reduction in provision for bad debts	11	-	2,469,735
Gains on sale of land		56,578,934	15,486,317
Gains on disposal of property, plant and equipment		1,163,608	55,652
Total Revenue		<u>1,307,384,287</u>	<u>1,012,605,509</u>
EXPENDITURE			
Employee related costs	19	322,178,326	288,445,987
Remuneration of Councillors	20	14,016,382	13,213,127
Bad debts	11	227,463	-
Collection costs		49,079	28,758
Depreciation	8,10	263,449,206	235,531,155
Amortisation	9	2,465,060	1,369,758
Post employment benefits expenses	29	19,890,000	1,751,000
Conditional grant expenditure		4,274,401	3,452,005
Repairs and maintenance		32,279,914	70,095,397
Finance costs	21	83,082,037	68,252,938
Bulk purchases	22	531,622,735	387,375,087
Contracted services		87,911,873	84,578,378
Grants and subsidies paid	23	2,205,849	1,167,209
General expenses	34	58,890,433	77,054,009
Total Expenditure		<u>1,422,542,758</u>	<u>1,232,314,808</u>
SURPLUS/(DEFICIT) FOR THE YEAR (Refer to statement of changes in net assets)		<u>(115,158,471)</u>	<u>(219,709,299)</u>

Refer to Note 37 and Appendix E (1) for the comparison with the approved budget

CITY OF uMHLATHUZE

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

2009	Housing Development Fund R	Self-Insurance Reserve R	Accumulated Surplus R	Total R
Balance at 30 June 2008	57,821,456	320,422	1,434,495,803	1,492,637,681
Inventory land not brought in previous year			43,294,717	43,294,717
Investment land not brought into account previous year			20,824,944	20,824,944
Reversal of depreciation (capital under construction)			20,548	20,548
Restatement (defined benefit obligation)			(128,956,000)	(128,956,000)
Deemed cost of infrastructure assets			7,073,045,978	7,073,045,978
Accumulated depreciation on deemed cost of infrastructure assets			(4,713,570,351)	(4,713,570,351)
Restated balance	57,821,456	320,422	3,729,155,639	3,787,297,517
Surplus / (deficit) for the year			(70,693,097)	(70,693,097)
Contribution to Insurance Reserve		377,505	(377,505)	-
Insurance claims processed		(1,012,190)	1,012,190	-
Transfer from Housing Development Fund	(357,835)		357,835	-
Transfer Insurance reserve to Surplus		314,263	(314,263)	-
Balance at 30 June 2009	57,463,621	-	3,659,140,800	3,716,604,421
2010				
Balance at 30 June 2009	57,463,621	-	3,659,140,800	3,716,604,421
Investment land not brought into account previous year			46,102,000	46,102,000
Correction of transfer to the Housing Fund	(40,081)		40,081	
Inventory land not brought into account previous year			4,783,000	4,783,000
Reversal of over depreciation			389,759	389,759
Change in accounting estimate			204,713,876	204,713,876
Depreciation on deemed cost of infrastructure assets			(139,427,916)	(139,427,916)
Restated balance	57,423,540	-	3,775,741,601	3,833,165,140
Surplus / (deficit) for the year			(115,158,471)	(115,158,471)
Transfer to Housing Development Fund	1,659,427		(1,659,427)	-
Balance at 30 June 2010	59,082,968	-	3,658,923,699	3,718,006,667

CITY OF uMHLATHUZE

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		1,218,528,767	965,276,330
Cash paid to suppliers and employees		<u>(1,040,507,883)</u>	<u>(845,080,183)</u>
Cash generated from operations	24	178,020,884	120,196,147
Interest received		3,844,950	16,614,284
Interest paid		<u>(83,082,037)</u>	<u>(68,252,938)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		<u><u>98,783,797</u></u>	<u><u>68,557,493</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(280,783,962)	(406,712,526)
Proceeds on disposal of property, plant and equipment		1,196,021	57,465
Decrease in non-current receivables		<u>145,480</u>	<u>1,522,957</u>
NET CASH UTILISED FROM INVESTING ACTIVITIES		<u><u>(279,442,461)</u></u>	<u><u>(405,132,104)</u></u>
CASH FLOWS UTILISED FROM FINANCING ACTIVITIES			
Proceeds from borrowings		188,000,000	380,000,000
Repayment of borrowings		<u>(62,527,370)</u>	<u>(24,389,610)</u>
NET CASH FLOW FROM FINANCING ACTIVITIES		<u><u>125,472,630</u></u>	<u><u>355,610,390</u></u>
Net increase/(decrease) in cash and cash equivalents		(55,186,034)	19,035,779
Cash and cash equivalents at the beginning of the year		<u>115,427,879</u>	<u>96,392,101</u>
Cash and cash equivalents at the end of the year	14	<u><u>60,241,845</u></u>	<u><u>115,427,879</u></u>

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an arrangement contains a lease

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. OFFSETTING

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the Municipality:

- IAS 19 Employee Benefits - effective 1 January 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all the of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

6. PROPERTY, PLANT AND EQUIPMENT

6.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its' acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

6.2 SUBSEQUENT MEASUREMENT

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

6.2 SUBSEQUENT MEASUREMENT (continued)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

6.3 DEPRECIATION

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Other	
Roads and Paving	15-65	Buildings	30
Pedestrian Malls	30	Specialised vehicles	10
Electricity	20-30	Other vehicles	3-7
Water	15-65	Office equipment	3-5
Sewerage	15-50	Furniture and fittings	7
Housing	30	Watercraft	15
Community		Bins and containers	5-10
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5	Landfill sites	15

The assets residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted retrospectively if appropriate, at each reporting date.

7. LEASES

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expenses are recognised on a straight-line basis over the lease term.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

7. LEASES (continued)

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

8. IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment of Cash generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount.

The recoverable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

Impairment of Non-cash generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the serviceable amount.

The serviceable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

9. INTANGIBLE ASSETS

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an intangible asset is amortised over the useful life of 3 years.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

10. INVESTMENT PROPERTIES

Investment property, which is property held to earn rental revenue or for capital appreciation, is, stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

11. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods and land held for sale are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

For the land component recognised in terms of GRAP 12 land is recognised at cost with the cost based on fair value at date of recognition. Assessing historical cost of land and then breaking it down into individual was impractical and inaccurate. The 2007/8 valuation of land in terms of the MPRA, which is very reliable, was used to determine cost.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

12. REVENUE RECOGNITION

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items or property, plant and equipment are brought into use. Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

15. HOUSING DEVELOPMENT FUND

Housing selling schemes, both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

16. RETIREMENT BENEFITS

The Municipality provides post retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

The Expected costs of these benefits are accrued of the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the value of the defined benefit obligation are charged or credited to income over the expected average remaining useful lives of the related employees.

The Defined benefit obligation are valued annually by independent qualified actuaries.

17. BORROWING COSTS

Borrowing costs incurred relating to qualifying assets and all other borrowing costs incurred were recognised as expenses in the Statement of Financial Performance in the previous financial year in accordance with the benchmark treatment in the old IAS 23, i.e. expensing all borrowing costs. The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2010 in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

18. FINANCIAL INSTRUMENTS

18.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

18.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

18.2 SUBSEQUENT MEASUREMENT (continued)

18.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorized as either held-to-maturity where the criteria for that categorization are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

18.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorized as financial assets: loans and receivables and recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probabilities that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

18.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. Amounts that are payable within 12 months from the reporting date are classified as current.

18.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdraft.

Bank overdrafts are recorded based on the facility used. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (continued)

19. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22. COMPARATIVE INFORMATION

21.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

21.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
1 HOUSING DEVELOPMENT FUND		
The Housing Development Fund is represented by the following assets		
Fixed Assets	57,556,908	52,043,897
Bank and cash	6,245,433	17,020,085
Accumulated Surplus	(4,719,373)	(11,640,442)
Total Housing Development Fund Assets and Liabilities	59,082,968	57,423,540
2 LONG-TERM LIABILITIES		
Annuity Loans	906,712,926	781,240,297
Less: Current portion transferred to current liabilities	(72,352,967)	(55,720,579)
Total External Loans	834,359,959	725,519,718

Refer to Appendix A for more detail on long-term liabilities

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 LONG-TERM LIABILITIES (continued)

External Loans repayments- Future years

	DBSA	DBSA	INCA	DBSA (EMP)	Standard Bank	Nedbank	INCA	DBSA	DBSA	DBSA	NEDBANK	Totals
	26,011,251	6,751,942	12,568,079	248,243	60,811,445	61,656,038	205,471,776	223,352,458	32,449,105	94,266,944	183,125,645	906,712,926
	12.00%	14.50%	13.95%	16.16%	8.75%	6.75%	8.75%	11.70%	6.75%	11.57%	11.26%	
2011	5,347,477	1,403,464	2,570,621	268,465	13,868,896	12,670,993	33,473,084	42,207,733	4,871,725	17,142,868	31,903,454	165,728,780
2012	5,347,477	1,403,464	2,570,621		13,868,896	12,670,993	33,473,084	42,207,733	4,871,725	17,142,868	31,903,454	165,460,315
2013	5,347,477	1,403,464	2,570,621		13,868,896	12,670,993	33,473,084	42,207,733	4,871,725	17,142,868	31,903,454	165,460,315
2014	5,347,477	1,403,464	2,570,621		13,868,896	12,670,993	33,473,084	42,207,733	4,871,725	17,142,868	31,903,454	165,460,315
2015	5,347,477	1,403,464	2,570,621		13,868,896	12,670,993	33,473,084	42,207,733	4,871,725	17,142,868	31,903,454	165,460,315
2016	5,347,477	1,403,464	2,570,621		6,934,448	6,335,496	33,473,084	42,207,733	4,871,725	17,142,868	31,903,454	152,190,370
2017	5,347,477	1,403,464	2,570,621				33,473,084	42,207,733	4,871,725	17,142,868	31,903,454	138,920,426
2018	5,347,477	1,403,464	2,570,621				33,473,084	42,207,733	4,871,725	17,142,868	31,903,454	138,920,426
2019			1,298,842				33,473,084	21,103,724	4,871,725	17,142,868	31,903,454	109,793,697
2020											15,951,727	15,951,727

Disclosure about the Terms and Conditions of Financial Instruments - Borrowings

Future payments are based on the balances at 30 June 2010

(i) The interest rate applicable to the Standard Bank and Nedbank loan is variable and yearly instalments are therefore subject to interest rate risk

(ii) Lease liability has been settled in full.

(iii) Yearly instalments payable bi-annually, consist of capital redemption and interest due and no other requirements are attached.

No early settlement options are profitable to Council

Conversion options are not applicable

There is no security given against the loans

Receipts or payments of the loans are in South African currency

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
3 CONSUMER DEPOSITS		
Electricity and Water	29,852,782	30,596,644
Other	697,609	625,133
Total Deposits	30,550,391	31,221,776
Guarantees held in lieu of Electricity and Water Deposits	48,405,239	48,440,771
4 TRADE AND OTHER PAYABLES		
Trade payables	57,343,132	48,297,418
Other payables	89,777,804	116,275,440
Retentions	32,910,492	24,651,718
Amounts Received in Advance	32,955,660	18,371,406
Total Creditors	212,987,087	207,595,981
5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
National Conditional Grants	3,063,701	3,965,802
Provincial Local Government Grants	1,012,164	772,974
Provincial Development Planning Grants	109,827	137,201
Provincial Housing Grants	6,180,262	13,735,275
Provincial Library Services Subsidies	156,064	278,279
Provincial Community Development Workers Programme	19,269	29,711
Provincial Department of Transport Subsidy	167,279	167,279
Department of Sport & Recreation	69,156	73,144
Department of Water Affairs (DWA) Cleanest Town Award	41,519	69,228
Department of Water Affairs (DWA) Water Services Programme	231,855	255,307
Department of Water Affairs (DWA) Refurbishment Grant	3,743,670	5,329,040
Department of Water Affairs (DWA) Institutional Support Programme Grant	283,578	283,578
Department of Water Affairs (DWA) Water Conservation and Demand Management Grant	1,105,002	105,243
Department of Minerals and Energy	3,950,000	-
Department of Agriculture and Environmental Affairs	790,953	290,953
Municipal Infrastructure Grant (MIG)	20,439,959	18,100,061
uThungulu District Municipality Capacity Building Grant	134,652	130,977
uThungulu District Municipality Museum Operating Subsidy	31,049	36,756
	41,529,959	43,760,808

See Note 17 for reconciliation of grants from other spheres of government.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
6 VAT		
Output Suspense	3,353,669	2,460,628
Input Suspense	(13,257,912)	(17,522,822)
Output Payable	(10,058,429)	(5,334,827)
VAT (claimable)	(19,962,672)	(20,397,021)

VAT is payable on the payment basis. Only once payment is made or received is VAT claimed or paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

	2010 R	2009 R RESTATED
7 INVENTORY		
Opening balance of inventories	85,437,970	118,659,009
Consumable stores - at cost	12,868,949	10,057,955
Water - at cost	781,021	659,337
Land	71,788,000	107,941,717
Additions	29,906,176	59,091,830
Consumable stores	29,906,176	51,950,830
Land	-	7,141,000
Issued (expensed)	35,810,574	92,168,995
Consumable stores	28,341,574	48,874,278
Land	7,469,000	43,294,717
Write-down to Net Replacement Value (NRV) or Net Replacement Cost (NRC):	29,723	265,556
Consumable stores	29,723	265,556
Closing balance of inventories	79,445,750	85,437,970
Consumable stores - at cost	14,403,830	12,868,949
Water - at cost	722,920	781,021
Land	64,319,000	71,788,000

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8 Property, Plant and Equipment

30 June 2010

Reconciliation Of Carrying Values	Land	Housing	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R	R
Carrying Values							
At 1 July 2009	559,339,950	52,043,897	3,578,818,034	154,479,853	49,502	235,048,127	4,579,779,363
Cost	(94,205,857)	62,433,341	1,780,769,984	212,409,228	49,502	401,125,134	2,362,581,332
Revaluation	653,545,807	-	-	-	-	-	653,545,807
Deemed cost*			7,073,045,978				7,073,045,978
Accumulated Depreciation	-	(10,389,444)	(5,274,997,928)	(57,929,375)	-	(166,077,007)	(5,509,393,754)
Acquisitions	-	192,632	133,223,036	15,864,291	-	8,122,849	157,402,807
Capital under construction		10,855,837	90,908,645	1,358,690		16,315,535	119,438,707
Donated				56,466,566		-	56,466,566
Grant Given	(495,000)						(495,000)
Transfer from Investment Properties						14,700	14,700
Depreciation		(5,535,457)	(222,494,273)	(6,671,242)	-	(28,600,638)	(263,301,610)
Based on cost	-	(5,535,457)	(222,494,273)	(6,671,242)	-	(28,600,638)	(263,301,610)
Based on revaluation							-
Carrying Value Of Disposals			-	-	-	(32,412)	(32,412)
Cost	-		-			(4,242,990)	(4,242,990)
Revaluation							-
Accumulated Depreciation	-		-			4,210,578	4,210,578
Carrying Values							
At 30 June 2010	558,844,950	57,556,908	3,580,455,442	221,498,158	49,502	230,868,161	4,649,273,121
Cost	(94,205,857)	73,481,809	2,004,901,665	286,098,776	49,502	421,335,228	2,691,661,123
Revaluation	653,050,807						653,050,807
Deemed Cost*			7,073,045,978				7,073,045,978
Accumulated Depreciation		(15,924,901)	(5,497,492,201)	(64,600,617)	-	(190,467,067)	(5,768,484,786)
Cost	-	(15,924,901)	(5,497,492,201)	(64,600,617)	-	(190,467,067)	(5,768,484,786)
Revaluation	-		-	-	-	-	-

* An amount of R 7 073 045 978 (deemed cost) and R4 713 570 351 (accumulated depreciation) were brought in for infrastructure assets that had zero carrying values but still in use and for which historical cost was unavailable as guided by Directive 7. This has been accounted for as prior year adjustment in terms of GRAP 3.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Property, Plant and Equipment (continued)

30 June 2009 (Restated)

Reconciliation Of Carrying Values	Land	Housing	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R	R
Carrying Values At 1 July 2008	561,694,800	52,471,142	3,512,270,400	121,269,861	49,502	156,701,531	4,404,457,236
Cost	(94,209,007)	57,568,398	1,507,872,491	174,346,718	49,502	304,095,608	1,949,723,710
Revaluation	655,903,807	-					655,903,807
Deemed Cost*			7,073,045,978				7,073,045,978
Accumulated Depreciation	-	(5,097,256)	(5,068,648,069)	(53,076,857)	-	(147,394,077)	(5,274,216,259)
Acquisitions	3,150	4,864,943	272,897,493	16,783,728	-	97,163,211	391,712,525
Capital Under Construction			-	21,278,782	-	-	21,278,782
Donated						1,993	1,993
Transfer to Inventory	(2,358,000)						(2,358,000)
Depreciation	-	(5,292,188)	(206,349,859)	(4,852,520)	-	(18,816,793)	(235,311,360)
Based on cost	-	(5,292,188)	(206,349,859)	(4,852,520)	-	(18,816,793)	(235,311,360)
Based on revaluation							-
Carrying Value Of Disposals	-	-	-	-	-	(1,814)	(1,814)
Cost	-		-	-	-	(135,678)	(135,678)
Revaluation	-						-
Accumulated Depreciation	-		-	-	-	133,864	133,864
Carrying Values At 30 June 2009	559,339,950	52,043,897	3,578,818,034	154,479,853	49,502	235,048,127	4,579,779,363
Cost	(94,205,857)	62,433,341	1,780,769,984	212,409,228	49,502	401,125,134	2,362,581,332
Revaluation	653,545,807						653,545,807
Deemed Cost*			7,073,045,978				7,073,045,978
Accumulated Depreciation*		(10,389,444)	(5,274,997,928)	(57,929,375)	-	(166,077,007)	(5,509,393,754)
Cost	-	(10,389,444)	(5,274,997,928)	(57,929,375)	-	(166,077,007)	(5,509,393,754)

* An amount of R 7 073 045 978 (deemed cost) and R4 713 570 351 (accumulated depreciation) were brought in for infrastructure assets that had zero carrying values but still in use and for which historical cost was unavailable as guided by Directive 7. This has been accounted for as prior year adjustment in terms of GRAP 3.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9 Intangible Asset

30 June 2010

Reconciliation Of Carrying Values	Total
	R
Carrying Values	
At 1 July 2009	5,520,882
Cost	13,138,086
Accumulated Amortisation	(7,617,204)
Acquisitions	699,600
Work in progress	3,242,848
Amortisation	(2,465,060)
Carrying Values	
At 30 June 2010	6,998,270
Cost	17,080,534
Accumulated Amortisation	(10,082,264)

30 June 2009

Reconciliation Of Carrying Values	Total
	R
Carrying Values	
At 1 July 2008	6,890,640
Cost	13,138,086
Accumulated Amortisation	(6,247,446)
Acquisitions	-
Amortisation	(1,369,758)
Carrying Values	
At 30 June 2009	5,520,882
Cost	13,138,086
Accumulated Amortisation	(7,617,204)

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

10 INVESTMENT PROPERTY

30 June 2010

TOWN	STAND NO	DEEDS NO	NAME	CARRYING VALUES AS AT 01 JULY 2009	COST	ACCUMULATED DEPRECIATION	TRANSE TO/ (FROM) INVESTMENTS	TRANSFER TO PPE	DEPRECIATION	CARRYING VALUES AS AT 30 JUNE 2010	COST	ACCUMULATED DEPRECIATION
RICHARDS BAY	33	T40385/2001	Harvey J R	1,500,000	1,500,000	-			-	1,500,000	1,500,000	-
EMPANGENI	45	T29874/1996	Zululand Built-It	-	-	-	1,000		-	1,000	1,000	-
EMPANGENI	56	T2643/1933	Manilall A	4,300,000	4,300,000	-			-	4,300,000	4,300,000	-
EMPANGENI	63	T2437/1970	Y S Cellular CC	2,000,000	2,000,000	-			-	2,000,000	2,000,000	-
RICHARDS BAY	67	T40386/2001	Van Rooyen K M	1,350,000	1,350,000	-			-	1,350,000	1,350,000	-
RICHARDS BAY	GV15825	T12114/1976	Richards Bay Airport Company (PTY) L	9,897,636	14,763,862	(4,866,226)		14,700	(116,418)	9,766,518	14,749,162	(4,982,644)
EMPANGENI	246	G93/1960	Emanzini Leisure Resort	1,100,000	1,100,000	-			-	1,100,000	1,100,000	-
RICHARDS BAY	617	T22887/2000	Meerensee Mall Scoonies Vier	3,695,846	6,663,646	(2,967,801)			(12,187)	3,683,658	6,663,646	(2,979,988)
RICHARDS BAY	620	T15638/1978	Schoonies Vier (PTY) LTD	4,500,000	4,500,000	-			-	4,500,000	4,500,000	-
NGWELEZANE	752	T64286/2000	Biyela A S	47,000	47,000	-			-	47,000	47,000	-
NSELENI	1,342	TG65440/2003	Gumede S M	40,000	40,000	-			-	40,000	40,000	-
EMPANGENI	2,015	T5367/1980	Mtshali D	680,000	680,000	-			-	680,000	680,000	-
RICHARDS BAY	2,305	G128/1973	Bundu Nursery	250,000	250,000	-			-	250,000	250,000	-
RICHARDS BAY	5,333	T14569/1979	Grindrod Terminals	9,000,000	9,000,000	-			-	9,000,000	9,000,000	-
RICHARDS BAY	5,333	T6915/1993	Benians B S Construction	1,000,000	1,000,000	-			-	1,000,000	1,000,000	-
RICHARDS BAY	5,333	T6915/1993	Benians B S Construction	700,000	700,000	-			-	700,000	700,000	-
RICHARDS BAY	5,333	T6915/1993	Lease Group 5 Civils	860,000	860,000	-			-	860,000	860,000	-
RICHARDS BAY	5,333	T6915/1993	Morganrite SA (PTY) LTD	180,000	180,000	-			-	180,000	180,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Gypsum Dam)	70,000	70,000	-			-	70,000	70,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Retention Dam)	250,000	250,000	-			-	250,000	250,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Conveyer Beld)	75,000	75,000	-			-	75,000	75,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Conveyer Beld)	500,000	500,000	-			-	500,000	500,000	-
RICHARDS BAY	5,333	T4097/2006	Waste Site	1,500,000	1,500,000	-			-	1,500,000	1,500,000	-
RICHARDS BAY	5,333	T19417/2001	Lease Grindrod Terminals	1,500,000	1,500,000	-			-	1,500,000	1,500,000	-
RICHARDS BAY	5,333	T19417/2001	Green Africa Nursery	150,000	150,000	-			-	150,000	150,000	-
RICHARDS BAY	5,333	T19417/2001	Ribeiro L M R	4,500,000	4,500,000	-			-	4,500,000	4,500,000	-
RICHARDS BAY	6,364	T4199/1980	Checkers	240,000	240,000	-			-	240,000	240,000	-
EMPANGENI	8,436	T37193/1995	Neliswa Eating House	6,100,000	6,100,000	-			-	6,100,000	6,100,000	-
RICHARDS BAY	9,893	T26939/1988	Naicker V	380,000	380,000	-			-	380,000	380,000	-
RICHARDS BAY	10,033	T28872/1991	LOT 11161 (PTY) LTD	530,000	530,000	-			-	530,000	530,000	-
RICHARDS BAY	11,376	T34219/1993	Pulp United (PTY) LTD	56,001,000	56,001,000	-	(1,000)		-	56,000,000	56,000,000	-
RICHARDS BAY	11,377	T21885/1993	Mantis Properties CC	1,600,000	1,600,000	-			-	1,600,000	1,600,000	-
RICHARDS BAY	2,627	T16212/1978	Ferreira M S	1,200,000	1,200,000	-			-	1,200,000	1,200,000	-
RICHARDS BAY	GV16990	T789/1999	Imvubu Lodge/River Rock	8,067,602	9,448,505	(1,380,903)			(18,991)	8,048,611	9,448,505	(1,399,894)
				123,764,084	132,979,014	(9,214,930)	-	14,700	(147,596)	123,601,788	132,964,314	(9,362,525)

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Investment Property (continued)

30 June 2009 (Restated)

TOWN	STAND NO	DEEDS NO	NAME	CARRYING VALUES AS AT 01 JULY 2008	COST	ACCUMULATED DEPRECIATION	INVESTMENT LAND RECOGNISED	DEPRECIATION	CARRYING VALUES AS AT 30 JUNE 2009	COST	ACCUMULATED DEPRECIATION
RICHARDS BAY	33	T40385/2001	Harvey J R	-	-	-	1,500,000	-	1,500,000	1,500,000	-
EMPANGENI	45	T29874/1996	Zululand Built-It	-	-	-	-	-	-	-	-
EMPANGENI	56	T2643/1933	Manilall A	-	-	-	4,300,000	-	4,300,000	4,300,000	-
EMPANGENI	63	T2437/1970	Y S Cellular CC	-	-	-	2,000,000	-	2,000,000	2,000,000	-
RICHARDS BAY	67	T40386/2001	Van Rooyen K M	-	-	-	1,350,000	-	1,350,000	1,350,000	-
RICHARDS BAY	GV15825	T12114/1976	Richards Bay Airport Company (PTY) LTD	10,014,053	14,763,862	(4,749,809)	-	(116,417)	9,897,636	14,763,862	(4,866,226)
EMPANGENI	246	G93/1960	Emanzini Leisure Resort	-	-	-	1,100,000	-	1,100,000	1,100,000	-
RICHARDS BAY	617	T22887/2000	Meerensee Mall Scoonies Vier	3,779,777	6,663,646	(2,883,869)	-	(83,931)	3,695,846	6,663,646	(2,967,800)
RICHARDS BAY	620	T15638/1978	Schoonies Vier (PTY) LTD	-	-	-	4,500,000	-	4,500,000	4,500,000	-
NGWELEZANE	752	T64286/2000	Biyela A S	-	-	-	47,000	-	47,000	47,000	-
NSELENI	1,342	TG65440/2003	Gumede S M	-	-	-	40,000	-	40,000	40,000	-
EMPANGENI	2,015	T5367/1980	Mtshali D	-	-	-	680,000	-	680,000	680,000	-
RICHARDS BAY	2,305	G128/1973	Bundu Nursery	-	-	-	250,000	-	250,000	250,000	-
RICHARDS BAY	5,333	T14569/1979	Grindrod Terminals	-	-	-	9,000,000	-	9,000,000	9,000,000	-
RICHARDS BAY	5,333	T6915/1993	Benians B S Construction	-	-	-	1,000,000	-	1,000,000	1,000,000	-
RICHARDS BAY	5,333	T6915/1993	Benians B S Construction	-	-	-	700,000	-	700,000	700,000	-
RICHARDS BAY	5,333	T6915/1993	Lease Group 5 Civils	-	-	-	860,000	-	860,000	860,000	-
RICHARDS BAY	5,333	T6915/1993	Morganrite SA (PTY) LTD	-	-	-	180,000	-	180,000	180,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Gypsum Dam)	-	-	-	70,000	-	70,000	70,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Retention Dam)	-	-	-	250,000	-	250,000	250,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Conveyer Belt)	-	-	-	75,000	-	75,000	75,000	-
RICHARDS BAY	5,333	T4097/2006	Lease Foskor (Conveyer Belt)	-	-	-	500,000	-	500,000	500,000	-
RICHARDS BAY	5,333	T4097/2006	Waste Site	-	-	-	1,500,000	-	1,500,000	1,500,000	-
RICHARDS BAY	5,333	T19417/2001	Lease Grindrod Terminals	-	-	-	1,500,000	-	1,500,000	1,500,000	-
RICHARDS BAY	5,333	T19417/2001	Green Africa Nursery	-	-	-	150,000	-	150,000	150,000	-
RICHARDS BAY	5,333	T19417/2001	Ribeiro L M R	-	-	-	4,500,000	-	4,500,000	4,500,000	-
RICHARDS BAY	6,364	T4199/1980	Checkers	-	-	-	240,000	-	240,000	240,000	-
EMPANGENI	8,436	T37193/1995	Neliswa Eating House	-	-	-	6,100,000	-	6,100,000	6,100,000	-
RICHARDS BAY	9,893	T26939/1988	Naicker V	-	-	-	380,000	-	380,000	380,000	-
RICHARDS BAY	10,033	T28872/1991	LOT 11161 (PTY) LTD	-	-	-	530,000	-	530,000	530,000	-
RICHARDS BAY	11,376	T34219/1993	Pulp United (PTY) LTD	56,001,000	56,001,000	-	-	-	56,001,000	56,001,000	-
RICHARDS BAY	11,377	T21885/1993	Mantis Properties CC	-	-	-	1,600,000	-	1,600,000	1,600,000	-
RICHARDS BAY	2,627	T16212/1978	Ferreira M S	-	-	-	1,200,000	-	1,200,000	1,200,000	-
RICHARDS BAY	GV16990	T789/1999	Imvubu Lodge/River Rock	8,087,049	9,448,505	(1,361,456)	-	(19,447)	8,067,603	9,448,505	(1,380,903)
				77,881,880	86,877,014	(8,995,134)	46,102,000	(219,795)	123,764,086	132,979,014	(9,214,929)

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2010

	R	R
Service Debtors		131,905,490
Rates		21,756,259
Electricity	23,821,082	
June consumption billed in July	47,286,141	71,107,223
Water	17,749,462	
June consumption billed in July	8,556,869	
June water surcharge billed in July	196,628	26,502,959
Sewerage	7,797,994	
Special Sewer charges	171,543	
June sewer surcharge billed in July	72,209	8,041,746
Refuse		4,497,303
Rental		3,714,275
Sundry		7,890,564
Gross Balance		143,510,329
Less: Provision for Bad Debts		(15,000,000)
Net Balance		128,510,329

As at 30 June 2009

Service Debtors		101,986,230
Rates		14,484,813
Electricity	18,744,491	
June consumption billed in July	38,654,598	57,399,089
Water	12,180,080	
June consumption billed in July	5,742,228	
June water surcharge billed in July	174,896	18,097,204
Sewerage	7,808,713	
Special Sewer charges	197,166	
June sewer surcharge billed in July	150,905	8,156,784
Refuse		3,848,340
Rental		2,371,882
Sundry		6,250,110
Gross Balance		110,608,222
Less: Provision for Bad Debts		(14,800,000)
Net Balance		95,808,222

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
11 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Rates Ageing		
Current (0 - 30) days	10,163,392	7,535,918
31 - 60 days	2,150,587	1,224,529
61- 90 days	863,920	807,291
91 - 120 days	747,789	333,404
121-360 days	4,971,075	2,761,617
361 + days	2,859,496	1,822,354
Total	21,756,259	14,485,113
Electricity, Water, Sewerage and Refuse: Ageing		
Current (0 - 30) days	94,146,216	73,305,568
31 - 60 days	2,665,059	2,021,379
61- 90 days	1,293,300	1,179,715
91 - 120 days	1,030,472	1,339,440
121-360 days	5,605,966	3,857,380
361+ days	5,408,218	5,797,935
Total	110,149,231	87,501,417
Rental		
Current (0 - 30) days	498,643	255,179
31 - 60 days	173,773	185,325
61- 90 days	152,296	130,172
91 - 120 days	150,933	124,667
121-360 days	934,621	701,139
361+ days	1,804,009	975,340
Total	3,714,275	2,371,822
Sundry		
Current (0 - 30) days	1,059,400	2,175,268
31 - 60 days	1,196,425	(212,141)
61- 90 days	196,086	132,066
91 - 120 days	164,966	-23,668
121-360 days	1,433,566	555,514
361+ days	3,840,121	3,623,070
Total	7,890,564	6,250,109
IFRS 7 Disclosure		
	2010 R	2009 R
Neither passed due nor impaired	114,559,098	88,740,269
Past due and impaired	15,000,000	14,800,000
Past due not impaired	13,951,232	7,067,953
	143,510,329	110,608,222

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Summary of Debtors by Customer classification

	Domestic consumers R	Industry/ commercial R	Nat / Provincial Government R
30 June 2010			
Current (0 - 30) days	26,939,851	77,138,573	4,395,231
31 - 60 days	1,344,653	1,631,054	76,667
61- 90 days	1,191,489	1,065,570	80,945
91 - 120 days	1,115,592	853,154	51,037
121+days	14,534,977	9,144,152	3,947,383
Sub-total	45,126,562	89,832,504	8,551,264
Less provision for bad debt	(9,207,461)	(5,792,539)	-
Total debtors by customer classification	35,919,101	84,039,965	8,551,264
30 June 2009			
Current (0 - 30) days	18,970,586	45,611,953	11,290,002
31 - 60 days	1,788,636	1,801,734	912,570
61- 90 days	1,307,883	797,272	561,068
91 - 120 days	830,654	570,784	516,305
121+days	12,056,021	7,159,569	6,433,186
Sub-total	34,953,780	55,941,312	19,713,131
Less provision for bad debt	(9,285,643)	(5,514,357)	-
Total debtors by customer classification	25,668,137	50,426,955	19,713,131

	2010 R	2009 R
Reconciliation of the bad debt provision		
Balance at beginning of the year	14,800,000	17,400,000
Contributions to provision	227,463	(2,469,735)
Bad debts written off against provision	(27,463)	(130,265)
Balance at end of year	15,000,000	14,800,000

12 NON-CURRENT RECEIVABLES

Housing loans to Staff	325,535	343,609
Study loans	663,149	783,254
Bursaries	-	7,301
	988,684	1,134,164
Less: Current portion transferred to Current Assets	(391,916)	(759,234)
Total Receivables	596,768	374,930

Housing Loans, car loans and bursaries were made in terms of council policies on these schemes. No new housing or car loans have been granted since the effective implementation date of the Municipal Finance Management Act of 2003. There are no significant terms or conditions that will affect the timeous recovery of these amounts.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
13 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Payments made in advance	256,575	460,720
Other receivables	7,898,676	15,918,478
Total Other Debtors	8,155,251	16,379,198

14 BANK, CASH AND OVERDRAFT BALANCES

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts

Bank balances and cash	60,241,845	115,427,879
Total bank balances and cash	60,241,845	115,427,879

Bank accounts

The municipality has the following bank accounts:

Current Account (Primary Account)

ABSA Bank - Richards Bay

Current /Cheque Account number 2150000028

Cash book balance at beginning of year	16,025,986	12,025,415
Cash book balance at end of year	4,146,118	16,025,986

Bank statement balance at beginning of year	16,279,815	11,894,025
Bank statement balance at end of year	4,126,202	16,279,815

Deposit Account

ABSA Bank - Richards Bay

Current/Deposit Account number 2150000095

Cash book balance at beginning of year	28,417,922	19,926,900
Cash book balance at end of year	2,436,117	28,417,922

Bank statement balance at beginning of year	25,351,662	18,102,648
Bank statement balance at end of year	50,000	25,351,662

Hostel Account

ABSA Bank - Richards Bay

Current/Deposit Account number 90 8291 6767

Cash book balance at beginning of year	18,424,804	16,725,502
Cash book balance at end of year	6,463,949	18,424,804

Bank statement balance at beginning of year	18,424,804	16,725,502
Bank statement balance at end of year	6,463,949	18,424,804

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
14 BANK, CASH AND OVERDRAFT BALANCES (continued)		
Housing Account - Brackenham		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 2361 5121		
Cash book balance at beginning of year	3,840,230	3,486,049
Cash book balance at end of year	4,331,147	3,840,230
Bank statement balance at beginning of year	3,840,230	3,486,049
Bank statement balance at end of year	4,331,147	3,840,230
Housing Account - Ngwelezane		
ABSA Bank - Richards Bay		
Current /Cheque Account number 91 7137 3496		
Cash book balance at beginning of year	1,719,523	1,419,616
Cash book balance at end of year	1,822,445	1,719,523
Bank statement balance at beginning of year	1,719,523	1,419,616
Bank statement balance at end of year	1,822,445	1,719,523
Housing Account - Pionierhof		
ABSA Bank - Richards Bay		
Current/Deposit Account number 90 9224 7889		
Cash book balance at beginning of year	11,460,333	9,809,129
Cash book balance at end of year	91,841	11,460,333
Bank statement balance at beginning of year	11,460,333	9,809,129
Bank statement balance at end of year	91,841	11,460,333
Conditional Grants		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 7137 3917		
Cash book balance at beginning of year	35,505,732	20,517,523
Cash book balance at end of year	40,121,116	35,505,732
Bank statement balance at beginning of year	35,505,732	32,230,937
Bank statement balance at end of year	40,121,116	35,505,732
Carnegie Funding - Libraries		
ABSA Bank - Richards Bay		
Current/Deposit Account number 92 3367 4990		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	795,262	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	795,262	-
Petty Cash		
Balance at beginning of year	33,350	32,950
Balance at end of year	33,850	33,350

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
15 PROPERTY RATES		
Actual		
Residential	54,204,377	47,262,041
Commercial	83,640,827	68,521,512
State	10,716,048	9,284,573
Total Assessment Rates	148,561,253	125,068,126
Property Valuations		
Residential	15,197,944,199	14,108,851,898
Commercial	9,116,344,000	8,982,094,700
State	2,212,926,900	2,424,496,900
Municipal	1,425,396,700	1,453,182,700
Total Property Valuations	27,952,611,799	26,968,626,198

The first valuation in terms of the Property Rates Act No 6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Three supplementary valuations and objections in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

Predominant Use	Rate Randage	Ratio to Residential Tariff
Residential Properties	0,00468	1:1
Business, Commercial and Industrial Properties and Agricultural Properties	0,00936	1:2
Agricultural Properties (business)	0,00117	1:0,25
State Trust land	0,00936	1:2
State Owned Properties	0,00468	1:1
Public Service Infrastructure	0,00117	1:0,25

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

15 PROPERTY RATES (continued)

Subject to the provisions contained in the Rate Policy and upon application the following rebates were applied:

Agricultural Properties - 5%
Public Benefit Organisations - 100%
Sporting Bodies - 100%
Pensioners - R100 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R85 000 of the valuation on all developed residential properties was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis, is 30 September of each year and 30 June for monthly rate payers. Interest of prime plus 1% per annum is levied on outstanding rates.

	2010 R	2009 R
16 SERVICE CHARGES		
Sale of electricity	591,913,146	456,454,558
Sale of water	110,469,209	92,439,949
Surcharge on water	3,610,954	4,754,329
Refuse removal	34,876,753	32,950,960
Sewerage and sanitation charges	47,102,226	45,466,281
Total Service Charges	787,972,288	632,066,077

An amount of R6 652 959.59 received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	115,127,180	95,131,764
National Conditional Grants	2,052,101	2,439,537
Provincial Health Subsidies	4,348,000	5,107,500
Provincial Local Government Grants	760,810	1,207,810
Provincial Development Planning Grants	27,374	-
Provincial Housing Grants	8,376,146	5,003,437
Provincial Library Service Subsidies	482,215	854,260
Provincial Museum Services Subsidies	76,198	62,972
Provincial Community Development Workers Programme	10,442	1,224
Department of Sport and Recreation	4,006	876,051
Department of Water Affairs - Cleanest Town Award	27,709	1,279
Department of Water Affairs - Water Services Programme	23,452	-
Department of Water Affairs - Refurbishment Grant	1,585,370	848,960
Department of Water Affairs (DWAF) Water Conservation and Demand	241	357,957
Department of Water Affairs - Institutional Support Programme Grant	-	795,000
Department of Minerals and Energy	(1,421,437)	2,947,589
Municipal Infrastructure Grant (incl SMIF allocation)	45,940,948	44,190,470

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
uThungulu District Municipality Environmental Health service	1,319,418	1,319,418
uThungulu District Municipality Capacity Building Grants	(3,675)	-
uThungulu District Municipality Management of Cemeteries	813,973	808,218
uThungulu District Municipality Museum Operating Subsidy	5,707	-
uThungulu District Municipality United Nations Development Programmes	-	1,993
uThungulu District Municipality Infrastructure Grant (2010 Stadium)	56,466,566	6,278,782
Total Government Grants and Subsidies	58,601,989	8,408,411

17.1 Equitable Share

In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services

17.2 National Conditional Grants

Balance unspent at beginning of year	3,965,802	5,505,339
Current year receipts	1,150,000	900,000
Conditions met - transferred to revenue	(2,052,101)	(2,439,537)
Conditions still to be met - transferred to liabilities	3,063,701	3,965,802

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote support reforms to financial management and the implementation of the Municipal Finance Management Act. The Restructuring Grant received in 2002, 2003, 2004 from National Treasury has been earmarked for certain projects that will improve the local economy. The Municipal Systems Improvement Grant is used to assist in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act.

17.3 Provincial Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	4,348,000	5,107,500
Conditions met - transferred to revenue	(4,348,000)	(5,107,500)
Conditions still to be met - transferred to liabilities	-	-

The municipality renders health services on behalf of the Provincial Government and is refunded approximately 35% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There were no delay or withholding of the subsidy.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.4 Provincial Local Government Grants		
Balance unspent at beginning of year	772,974	1,980,784
Current year receipts	1,000,000	-
Conditions met - transferred to revenue	(760,810)	(1,207,810)
Conditions still to be met - transferred to liabilities	<u>1,012,164</u>	<u>772,974</u>

Provincial Local Government grants are used to implement, administrative and financial municipal framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government.

17.5 Provincial Development Planning Grants

Balance unspent at beginning of year	137,201	37,201
Current year receipts	-	100,000
Conditions met - transferred to revenue	(27,374)	-
Conditions still to be met - transferred to liabilities	<u>109,827</u>	<u>137,201</u>

Provincial Local Government grants are used to implement, administrative and financial municipal framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government.

17.6 Provincial Housing Grants

Balance unspent at beginning of year	13,735,275	16,699,285
Current year receipts	-	340,125
Conditions met - transferred to revenue	(8,376,146)	(5,003,437)
Interest Received	821,132	1,699,302
Conditions still to be met - transferred to liabilities	<u>6,180,261</u>	<u>13,735,275</u>

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were also provided for the Municipality to implement the Enhanced Extended Discount Benefit Scheme. No funds have been withheld.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.7 Provincial Library Services Subsidies		
Balance unspent at beginning of year	278,279	411,998
Current year receipts	360,000	720,541
Conditions met - transferred to revenue	(482,215)	(854,260)
Conditions still to be met - transferred to liabilities	<u>156,064</u>	<u>278,279</u>

Provincial Library Grants were allocated to subsidise the purchase of equipment for various libraries. A subsidy was also received to assist in the construction of the Empangeni Library Study Hall. Funds were also provided to refurbish the old community hall at Felixton into a library. Further funding was also received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

17.8 Provincial Museum Services Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	76,198	62,972
Conditions met - transferred to revenue	(76,198)	(62,972)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

Department of the Premier allocates a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.

17.9 Provincial Community Development Workers Programme

Balance unspent at beginning of year	29,711	30,935
Current year receipts	-	-
Conditions met - transferred to revenue	(10,442)	(1,224)
Conditions still to be met - transferred to liabilities	<u>19,269</u>	<u>29,711</u>

Department of Local Government and Traditional Affairs allocated funds to Council for the administration the Community Development Workers Programme. No funds have been withheld.

17.10 Provincial Department of Transport Subsidy

Balance unspent at beginning of year	167,279	167,279
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>167,279</u>	<u>167,279</u>

Provincial Department of Transport provided for a subsidy for Pedestrian Safety Project. Provincial Department of Transport Subsidy for the reimbursement of expenses paid for the relocation of the Empangeni Licensing Offices. No funds have been withheld.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.11 Department of Water Affairs (DWAF) Cleanest Town Award		
Balance unspent at beginning of year	69,228	70,507
Current year receipts	-	-
Conditions met - transferred to revenue	(27,709)	(1,279)
Conditions still to be met - transferred to liabilities	<u>41,519</u>	<u>69,228</u>

Department of Water Affairs Cleanest Town Award. Funds will be used on a recycling project. No funds have been withheld.

17.12 Department of Water Affairs (DWAF) Water Services Programme

Balance unspent at beginning of year	255,307	255,307
Current year receipts	-	-
Conditions met - transferred to revenue	(23,452)	-
Conditions still to be met - transferred to liabilities	<u>231,855</u>	<u>255,307</u>

Department of Water Affairs Sector Institutional Support and Capacity Building Initiatives in support of Water Services Authority and Water Service Provider functions. The grants are spent in accordance with an approved business proposal.

17.13 Department of Water Affairs (DWAF) Refurbishment Grant

Balance unspent at beginning of year	5,329,040	6,178,000
Current year receipts	-	-
Conditions met - transferred to revenue	(1,585,370)	(848,960)
Conditions still to be met - transferred to liabilities	<u>3,743,670</u>	<u>5,329,040</u>

Department of Water Affairs Refurbishment Grant and Subsidy for Water Services Works. The grant is spent in accordance with an approved business plan.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.14 Department of Water Affairs (DWAF) Institutional Support Programme Grant		
Balance unspent at beginning of year	283,578	1,078,578
Current year receipts	-	-
Conditions met - transferred to revenue	-	(795,000)
Conditions still to be met - transferred to liabilities	<u>283,578</u>	<u>283,578</u>

Department of Water Affairs Support Project Grant for Institutional Support and Capacity Building. The grant is spent in accordance with an approved business plan.

17.15 Department of Water Affairs (DWAF) Water Conservation and Demand Management Grant

Balance unspent at beginning of year	105,243	462,000
Current year receipts	1,000,000	1,200
Conditions met - transferred to revenue	(241)	(357,957)
Conditions still to be met - transferred to liabilities	<u>1,105,002</u>	<u>105,243</u>

Department of Water Affairs Water Conservation and Demand Management grant in support of capacity building and institutional support. The grant is spent in accordance with an approved business plan.

17.16 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	18,100,061	10,158,828
Current year receipts	70,448,000	52,131,703
Conditions met - transferred to revenue	(45,940,948)	(44,190,470)
Conditions met - transferred to own revenue (ex migvat)	(22,167,155)	-
Conditions still to be met - transferred to liabilities	<u>20,439,958</u>	<u>18,100,061</u>

This grant was used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

17.17 uThungulu District Municipality Environmental Health Costs

Balance unspent at beginning of year	-	-
Current year receipts	1,319,418	1,319,418
Conditions met - transferred to revenue	(1,319,418)	(1,319,418)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

The function to provide environmental health services was transferred to the District Municipality. Council is still performing this function on behalf of the District Municipality. In terms of a service level agreement the District Municipality allocates a portion of their Equitable Share allocation.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.18 uThungulu District Municipality Capacity Building Grant		
Balance unspent at beginning of year	130,977	130,977
Current year receipts	-	-
Conditions met - transferred to revenue	3,675	-
Conditions still to be met - transferred to liabilities	<u>134,652</u>	<u>130,977</u>
uThungulu District Council allocated funds for capacity building grants. No funds have been withheld.		
17.19 uThungulu District Municipality Administration of Regional Cemeteries		
Balance unspent at beginning of year	-	-
Current year receipts	813,973	808,218
Conditions met - transferred to revenue	(813,973)	(808,218)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
Council administers the Regional Cemetery on behalf of uThungulu District Council in terms of a service level agreement. No funds have been withheld.		
17.20 uThungulu District Municipality Museum Operating Subsidy		
Balance unspent at beginning of year	36,756	36,756
Current year receipts	-	-
Conditions met - transferred to revenue	(5,707)	-
Conditions still to be met - transferred to liabilities	<u>31,049</u>	<u>36,756</u>
uThungulu District Council allocated a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.		
17.21 uThungulu District Council Infrastructure Grant (2010 Stadium)		
Balance unspent at beginning of year	-	-
Current year receipts	56,466,566	6,278,782
Conditions met - transferred to revenue	(56,466,566)	(6,278,782)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
uThungulu District Council facilitated the construction of the 2010 Stadium.		

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.22 uThungulu District Council United Nations Development Programme fight against HIV/AIDS		
Balance unspent at beginning of year	-	-
Current year receipts	-	1,993
Conditions met - transferred to revenue	-	(1,993)
Conditions still to be met - transferred to liabilities	-	-
	<u>-</u>	<u>-</u>
uThungulu District Council donated assets inherited from United Nations Development Programme.		
17.23 Department of Agriculture and Environmental Affairs		
Balance unspent at beginning of year	290,953	90,953
Current year receipts	500,000	200,000
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>790,953</u>	<u>290,953</u>
Department of Agriculture and Environmental affairs provided a subsidy for a recycling project. The grants are spent in accordance with an approved business proposal.		
17.24 Department of Minerals & Energy		
Balance unspent at beginning of year	-	326,152
Current year receipts	3,950,000	2,621,437
Conditions met - transferred to revenue	-	(2,947,589)
Conditions still to be met - transferred to liabilities	<u>3,950,000</u>	<u>-</u>
Department of Minerals and Energy in support of Electrification Projects. The grants are spent in accordance with an approved business proposal.		
17.25 Department of Sport and Recreation		
Balance unspent at beginning of year	73,144	-
Current year receipts	-	949,195
Conditions met - transferred to revenue	(4,006)	(876,051)
Conditions still to be met - transferred to liabilities	<u>69,138</u>	<u>73,144</u>
Funds were received for the upgrade of the Vulindlela Sports Facility. The grants are spent in accordance with an approved business proposal.		

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
17 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
17.26 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act No.2 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years. The Provincial Department of Health plans to take over the Municipal Primary Health care services. A Service Level Agreement has been signed with Province so that service delivery can be maintained.		
18 OTHER INCOME		
Building Plans	1,072,831	1,000,184
Extension Fees	11,672,888	11,090,077
Connection Fees	1,419,774	2,459,871
MIG Vat Revenue	22,167,156	-
Sundries	14,560,960	10,533,394
Stock Surplus	23,799	55,796
Total Other Income	50,917,408	25,139,322
19 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	199,529,837	173,057,041
Employee related costs - Contributions for UIF, pensions and medical aids	52,209,902	46,107,534
Travel, motor car, accommodation, subsistence and other allowances	34,039,275	31,069,891
Housing benefits and allowances	5,394,120	7,219,607
Overtime payments	25,242,488	24,131,247
Performance bonus	333,778	733,950
Leave Payments	7,622,908	6,753,654
Pensioners medical aid contributions	1,960,636	1,552,733
Less: Employee costs capitalised to Property, Plant and Equipment	(4,154,618)	(2,179,670)
Total Employee Related Costs	322,178,326	288,445,987
There were no advances to employees. Loans to employees are set out in note 13.		
Remuneration of the Municipal Manager		
Annual Remuneration (includes settlement arbitration award)	2,062,305	658,507
Performance Bonuses	82,110	117,938
Housing Subsidy	49,151	65,534
Travel Allowance	141,221	188,294
Contributions to UIF, Medical and Pension Funds	1,123	1,497
Total	2,335,910	1,031,770

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

19 EMPLOYEE RELATED COSTS (continued)

Remuneration of Senior Managers and Managers

	Deputy Municipal Manager R	Snr Manager Community Services R	Snr Manager Technical Services R
30 June 2010			
Annual Remuneration	745,775	619,911	587,583
Annual Bonus	-	-	-
Entertainment	-	-	-
Performance Bonuses	-	-	-
Housing Subsidy	-	-	-
Travel Allowance	134,552	154,056	218,694
Contributions to UIF, Medical and Pension Funds	74,255	145,738	113,429
Total	954,582	919,705	919,706

	Deputy Municipal Manager R	Snr Manager Community Services R	Snr Manager Technical Services R
30 June 2009			
Annual Remuneration	451,985	138,000	49,167
Annual Bonus	-	-	-
Entertainment	-	-	-
Performance Bonuses	-	-	-
Housing Subsidy	-	-	-
Travel Allowance	81,546	38,514	11,158
Contributions to UIF, Medical and Pension Funds	45,094	29,641	8,393
Total	578,625	206,155	68,718

	Snr Manager Financial Services R	Snr Manager Corporate Services R	Snr Manager City Development R
30 June 2010			
Annual Remuneration	627,834	647,460	538,560
Annual Bonus	54,536	-	-
Entertainment	-	-	-
Performance Bonuses	-	-	65,867
Housing Subsidy	-	-	-
Travel Allowance	199,309	154,228	321,403
Contributions to UIF, Medical and Pension Funds	14,125	105,243	59,743
Total	895,804	906,931	985,573

Newly created positions. No comparative information

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

19 EMPLOYEE RELATED COSTS (continued)

	Manager Financial Services R	Manager Civil Engineering R	Manager Electrical Engineering R
30 June 2010			
Annual Remuneration	47,307	528,000	450,151
Annual Bonus	-	-	-
Entertainment	-	-	-
Performance Bonuses	-	55,013	65,867
Housing Subsidy	-	-	57,118
Travel Allowance	17,145	236,500	230,642
Contributions to UIF, Medical and Pension Funds	-	133,542	91,623
Total	64,452	953,055	895,401

30 June 2009			
Annual Remuneration	177,662	649,834	407,376
Annual Bonus	-	-	-
Entertainment	-	-	-
Performance Bonuses	94,607	-	94,607
Housing Subsidy	25,274	-	50,547
Travel Allowance	150,289	239,860	194,075
Contributions to UIF, Medical and Pension Funds	13,473	186,878	81,396
Total	461,305	1,076,572	828,001

	Manager Management Services R	Manager Corporate Services R	Manager City Development R
30 June 2010			
Annual Remuneration	36,509	3,368	-
Annual Bonus	-	-	-
Entertainment	-	-	-
Performance Bonuses	-	-	-
Housing Subsidy	-	-	-
Travel Allowance	17,255	2,480	-
Contributions to UIF, Medical and Pension Funds	6,468	-	-
Total	60,232	5,848	-

30 June 2009			
Annual Remuneration	355,324	175,971	355,324
Annual Bonus	-	39,131	-
Entertainment	-	700	-
Performance Bonuses	-	90,696	94,607
Housing Subsidy	50,548	4,326	50,548
Travel Allowance	285,228	88,946	285,228
Contributions to UIF, Medical and Pension Funds	42,295	65,905	42,295
Total	733,395	465,675	828,002

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

19 EMPLOYEE RELATED COSTS (continued)

	Manager Facilitation and Marketing R	Manager Community Serv and Health R	Manager Parks, Sports and Recreation R
30 June 2010			
Annual Remuneration	397,695	317,413	397,695
Annual Bonus	32,408	32,408	32,408
Entertainment	1,400	1,050	1,400
Performance Bonuses	66,591	-	64,197
Housing Subsidy	15,559	3,880	5,828
Travel Allowance	175,958	144,136	176,719
Contributions to UIF, Medical and Pension Funds	152,596	94,593	144,294
Total	842,207	593,480	822,541
30 June 2009			
Annual Remuneration	351,942	351,942	351,942
Annual Bonus	29,329	29,329	29,329
Entertainment	1,400	1,400	1,400
Performance Bonuses	94,715	55,320	91,460
Housing Subsidy	44,728	5,183	26,880
Travel Allowance	176,840	157,416	176,729
Contributions to UIF, Medical and Pension Funds	137,682	116,482	133,272
Total	836,636	717,072	811,012
	Special Advisor Air Pollution R		
30 June 2010			
Annual Remuneration	397,695		
Annual Bonus	32,408		
Entertainment	1,400		
Performance Bonuses	-		
Housing Subsidy	6,624		
Travel Allowance	196,337		
Contributions to UIF, Medical and Pension Funds	133,208		
Total	767,672		

20 REMUNERATION OF COUNCILLORS

	2010 R	2009 R
Mayor	539,254	504,126
Deputy Mayor	438,845	406,949
Speaker	438,834	406,781
Executive Committee Members	3,200,038	3,056,803
Councillors	8,159,783	7,672,705
Councillors pension contribution	1,239,628	1,165,763
Total Councillors Remuneration	14,016,382	13,213,127

The Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor is also provided with a vehicle for business use at the cost of the Council.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
21 FINANCE COSTS		
Long-term liabilities	83,082,037	68,252,938
Total Interest on External Borrowings	83,082,037	68,252,938
An amount of R4 688 589.60 relating to finance costs was capitalised to work in progress with 11.4% being the weighted average cost of funds borrowed by the municipality.		
22 BULK PURCHASES		
Electricity	487,932,120	347,371,879
Water	43,690,615	40,003,208
Total Bulk Purchases	531,622,735	387,375,087
23 GRANTS AND SUBSIDIES PAID		
Richards Bay Country Club	409,747	393,338
S P C A	261,500	245,500
uMhlathuze Tourism Association	282,433	329,009
Richards Bay Bowling Club	51,619	68,028
Zululand Expo	20,800	19,500
Sundries	67,294	111,834
Property Rates Relief	617,456	-
Suid-Afrikaanse Vrouefederasie (SAVF): Aged Care	495,000	-
Total Grants and Subsidies	2,205,849	1,167,209
24 CASH GENERATED FROM OPERATIONS		
Surplus/(Deficit) for the year	(115,158,471)	(219,709,299)
Adjustment for:		
Depreciation	263,449,206	86,125,193
Amortisation	2,465,060	1,369,758
Post employment benefit expenses	19,890,000	1,751,000
Other grants received (excluded as non cash)	(56,466,566)	(6,280,775)
(Gain)/Loss on disposal of property, plant and equipment	(1,163,608)	(55,652)
Grant in aid (exclude donated land as non cash)	495,000	-
Movement in bad debt provision	200,000	(2,600,000)
Investment income	(3,844,950)	(16,614,284)
Interest paid	83,082,037	68,252,938
Operating surplus before working capital changes:	192,947,707	(87,761,121)
(Increase)/ Decrease in inventories	5,992,220	40,362,040
(Increase) in debtors	(32,902,107)	(13,705,717)
Decrease/ (Increase) in other debtors	8,223,947	(7,796,754)
(Decrease)/ Increase/ in unspent conditional grants and receipts	(2,230,849)	139,929
(Decrease)/ Increase/ (Decrease) in creditors	6,227,003	50,154,043
(Increase)/ Decrease in VAT claimable	434,350	(10,186,309)
(Decrease) in consumer deposits	(671,385)	(415,927)
Cash generated from operations	178,020,885	(29,209,815)

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
25 ELECTRICITY AND WATER LOSSES		
		RESTATED
Water losses for the City of uMhlathuze calculated at a variable cost per kilolitre amounts to:		
Total Produced & Purchased (KL)	42,557,901	41,463,656
Total Sold (KL)	31,059,590	27,098,445
Water Loss in KL	11,498,311	14,365,211
% Loss	27.02%	34.65%
Variable Cost/Kl	R 0.92	R 0.87
Water loss in Rands	10,578,446	12,497,734
Losses can be accounted for primarily through: illegal connections, rural areas not yet connected to billing system and operational usage through new reticulation systems.		
Electricity losses for the City of uMhlathuze calculated at a unit cost per kilowatt amounts to:		
Total Purchased (KW)	1,590,907,358	1,480,177,802
Total Sold (KW)	1,510,517,045	1,399,986,614
Electricity Loss in KW	80,390,313	80,191,188
% Loss	5.05%	5.42%
Unit cost /KW	R 0.31	R 0.23
Electricity loss in Rands	24,920,997	18,443,973

26 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

26.1 Contributions to SALGA

Council subscriptions	1,214,664	1,250,923
Amount paid	<u>(1,214,664)</u>	<u>(1,250,923)</u>

26.2 Audit fees

Amount paid - current year	<u>1,914,807</u>	<u>1,521,228</u>
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26.3 PAYE and UIF

Opening balance	2,712,605	2,331,358
Current year payroll deductions	40,987,231	33,646,359
Amount paid - current year	(37,109,571)	(30,933,754)
Amount paid - previous year	<u>(2,712,605)</u>	<u>(2,331,358)</u>
Balance unpaid (included in creditors)	<u>3,877,660</u>	<u>2,712,605</u>

The balance represents June's contribution paid over in July.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
26 ADDITIONAL DISCLOSURE (continued)		
26.4 Pension and Medical Aid Deductions		
Opening balance	3,347,354	3,248,282
Current year payroll deductions	76,308,159	65,562,508
Amount paid - current year	(72,443,176)	(62,215,154)
Amount paid - previous year	(3,347,354)	(3,248,282)
Balance unpaid (included in creditors)	<u>3,864,983</u>	<u>3,347,354</u>

The balance represents continued members contributions received in advance.

26.5 Councillor's Arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at **30 June 2010**

	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
Councillor Gumede TN	676	310	366
Councillor Mnqayi MS	2,141	596	1,545
Councillor Mtshali D	11,202	8,127	3,075
Councillor Tshabalala NC	14	4	10
Total Councillor Arrear Consumer Account	<u>14,033</u>	<u>9,037</u>	<u>4,996</u>

30 June 2009

None	-	-	-
Total Councillor Arrear Consumer Account	<u>-</u>	<u>-</u>	<u>-</u>

During the year the following Councillor's had arrears accounts outstanding for more than 90 days. The following represents the highest amount outstanding:

	Highest Amount Outstanding	Ageing
30 June 2010		
Councillor Mtshali D	13,037	120 days
Councillor Gumede TN	592	120 days
Councillor Tshabalala NC	7	120 days
Councillor Ndlela W	894	120 days
Councillor Gumede TN	437	150 days
Councillor Mtshali D	15,737	180 days
Councillor Tshabalala NC	7	210 days

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
26 ADDITIONAL DISCLOSURE (continued)		
30 June 2009		
Councillor Mtshali D	1,169	120 days
Councillor Gumede TN	660	150 days
Councillor Mtshali D	15,015	150 days
27 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	140,418,182	278,161,232
Approved but not yet contracted for	94,409,218	311,934,468
Total capital commitments	234,827,400	590,095,700
This expenditure will be financed from:		
Internal Sources	8,903,900	324,746,800
External Loans	119,592,000	188,349,400
Grants	106,331,500	76,999,500
	234,827,400	590,095,700
28 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
Guarantees by City of uMhlathuze in respect of building society and commercial bank housing loans to officials.	43,500	8,354
Guarantee by City of uMhlathuze in respect of Postal services.	200,000	200,000
There is a dispute between the City of uMhlathuze and WJ Construction for the payment of repositioning of traffic signs and is currently being adjudicated by Mr Alan Parsons.		
A claim has been forwarded by a contractor Zamimpilo Projects who were appointed to construct pedestrian paving and walkways in the City of uMhlathuze. The contractor has not taken a stand in writing whether they are taking the adjudication or the arbitration route.		
29 POST EMPLOYMENT MEDICAL BENEFITS		
The Municipality operates on 5 accredited medical aid schemes, namely: Bonitas, Hosmed, Keyhealth, LA Health and Samwumed.		
Pensioners continue on the option they belonged to on the day of their retirement.		
The independant valuers, Alexander Forbes, carried out a statutory valuation for the year ended 30 June 2010.		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	9%	9%
Health care cost inflation rate	8%	8%
Net effective discount rate	1%	1%
Benchmark inflation (equal to salary inflation)	8%	8%
Average retirement age	65	65
Proportion continuing membership at retirement	95%	95%
Proportion of retiring members who are married	90%	90%

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
29 POST EMPLOYMENT MEDICAL BENEFITS (continued)		
The amounts recognised in the Statements of Financial Position were determined as follows:		
Present Value of the obligation	150,597,000	130,707,000
Unrecognised actuarial gain / (loss)	-	-
Liability in the Balance Sheet	150,597,000	130,707,000
Movements in the defined benefit obligation is as follows:		
Balance at the beginning of the year	130,707,000	128,956,000
Current service cost	10,291,000	11,538,000
Interest cost	12,285,000	13,730,000
Benefits paid	(2,686,000)	(2,466,000)
Actuarial (gain) loss on obligation	-	(21,051,000)
	150,597,000	130,707,000
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	10,291,000	11,538,000
Interest cost	12,285,000	13,730,000
Actuarial gain loss recognised during the year	-	(21,051,000)
Benefit paid	(2,686,000)	(2,466,000)
Net amount recognised in the Statement of Financial Performance	19,890,000	1,751,000
30 PROVISIONS		
Staff leave	9,561,973	9,196,951
Staff Bonuses	7,231,707	6,760,832
	16,793,680	15,957,783
31 EVENTS AFTER THE REPORTING DATE		
No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.		

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
32 PRIOR PERIOD ADJUSTMENT		
Restatement of Employee Related Costs		
Employee related costs have been adjusted to include the travelling claims and pensioners medical contributions which were previously disclosed under general expenses.		
The impact of this adjustment is as follows:		
Amount as previously stated in the Financial statements	280,327,309	
Travelling claims previously shown under general expenses	6,565,945	
Pensioners medical contributions	1,552,733	
Restated Employee Related Costs at 30 June 2009	288,445,987	
Restatement of Remuneration of Councillors		
Remuneration of Councillors have been adjusted to exclude an amount for subsistence and travelling which should have been disclosed under general expenses.		
The impact of this adjustment is as follows:		
Amount as previously stated in the Financial statements	13,214,416	
Subsistence & travelling incorrectly allocated	(1,289)	
Restated Councillors Remuneration at 30 June 2009	13,213,127	
Restatement of the Housing Development Fund		
During the year, the municipality discovered that the Housing Development Fund was overstated and Accumulated surplus understated as result of an extra transfer to the Housing Fund.		
The impact of this adjustment is as follows:		
Balance as previously stated in the Financial statements	57,463,621	
Amount transferred to accumulated surplus	(40,081)	
Restated Balance at 30 June 2009	57,423,540	
Restatement of Investment property (Cost)		
During the year, the municipality discovered investment property previously not accounted for in the accounting records.		
Balance as previously stated in the Financial statements	86,877,014	
Investment land not previously recognised	46,102,000	
Restated Investment Property at 30 June 2009	132,979,014	
Restatement of Property, plant and equipment (Accumulated Depreciation)		
During the year, the municipality discovered depreciation in the prior year was overcharged .		
The impact of this adjustment is as follows:		
Balance as previously stated in the Financial statements	861,499,122	
Reversal of depreciation	(389,759)	
Reversal of depreciation for assets with reviewed useful lives	(204,713,876)	
Restated Balance at 30 June 2009	656,395,487	

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
32 PRIOR PERIOD ADJUSTMENT (continued)		
Restatement of Inventory Land		
During the year, the municipality discovered inventory land previously not accounted for in the accounting records and also inventory land available for sale accounted under property, plant and equipment (land).		
The impact of this error is as follows:		
Balance as previously stated in the Financial statements		64,647,000
Inventory land not previously recognised		4,783,000
Transfer from property, plant and equipment (land)		2,358,000
Restated Inventory Land at 30 June 2009		<u>71,788,000</u>
Restatement of Property, plant and equipment		
Balance as previously stated in the Financial statements		2,156,986,017
Transfer to Inventory land		(2,358,000)
Restated Property, plant and equipment at 30 June 2009		<u>2,154,628,017</u>
Restatement of Accumulated Surplus		
Balance as previously stated in the Financial statements		1,299,665,173
Amount transferred from housing development fund		40,081
Investment land not previously recognised		46,102,000
Inventory land not previously recognised		4,783,000
Correction of depreciation		389,759
Restated Accumulated Surplus Balance at 30 June 2009		<u>1,350,980,013</u>
Restatement of Contracted Services		
During the year the Municipality discovered that some services which are contracted were disclosed under general expenses instead of contracted services.		
The impact of this adjustment is as follows:		
Amount as previously shown in the Financial Statements		64,627,409
Cleaning Services		1,408,049
Consultancy Fees		7,032,705
Meter Reading		4,554,329
Sewerage/Waste Disposal		6,955,886
Restated Contracted Services at 30 June 2009		<u>84,578,378</u>

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R

32 PRIOR PERIOD ADJUSTMENT (continued)

Restatement of General Expenses

Amount as previously stated in the Financial Statements	105,122,369
Travelling claims now shown under employee related costs	(6,565,945)
Pensioners medical contributions	(1,552,733)
Subsistence and travelling incorrectly allocated to Councillors Remuneration	1,289
Cleaning Services	(1,408,049)
Consultancy Fees	(7,032,705)
Meter Reading	(4,554,329)
Sewerage/Waste Disposal	(6,955,886)

Restated General Expenses at 30 June 2009

77,054,011

33 CHANGE IN ACCOUNTING ESTIMATE

A change in the estimated useful live of infrastructure assets with zero carrying values has resulted in the following change in depreciation and accumulated depreciation:

Accumulated Depreciation on infrastructure assets according to initial estimated useful life	626,825,847
According to re-estimated useful life	<u>422,111,971</u>
Depreciation reversed	<u>204,713,876</u>

Additional depreciation provided on infrastructure provided

11,385,261

34 DEVIATIONS FROM PROCUREMENT PROCESSES

Section 37(2) of Supply Chain Management Policy has been complied with.

35 GENERAL EXPENSES

Included as part of general expenses are the following:

Uniforms	1,728,694	1,807,056
Bursaries	1,502,888	1,479,727
Community facilitation	1,235,300	2,191,048
External audit fees	1,914,807	1,521,228
Fuel and oil	8,705,770	9,100,751
Insurances	4,359,083	3,075,080
Indigent services rendered	5,145,962	7,400,646
Legal fees	3,049,180	1,379,539
Membership fees	1,348,468	1,584,843
Postage	1,037,577	1,063,195
Printing and Stationery	1,984,059	3,391,746
Programming material	3,797,576	3,497,210
Publicity	1,109,552	1,172,867
Rent equipment and vehicles	1,672,603	2,587,490
Waste disposal	1,793,726	-
Skills levy	2,759,714	2,323,081
Telephone	2,544,349	2,302,165
Training external	104,942	2,212,173
Environmental projects	475,949	1,539,307
Research fund	860,782	2,407,159
Sport development	830,237	1,748,061
Marketing projects and social development	349,332	1,908,845
Stores and materials	918,560	2,117,744
Subsistence and travelling	617,357	2,081,140
Sundries	9,043,967	17,161,908
Total	<u>58,890,433</u>	<u>77,054,009</u>

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

36 RELATED PARTY TRANSACTIONS

36.1 MOTOR VEHICLE LOANS			BALANCE 30/06/2009	2009/2010 INTEREST	2009/2010 REPAYMENT	BALANCE 30/06/2010
van Roojen	M	Dep PSD	7,300.60	81.73	7,382.33	-
			7,300.60	81.73	7,382.33	-

36.2 KEY PERSONNEL EMPLOYEE BENEFIT

		BENEFIT R	THIRD PARTY TRANSACTION R
Heyneke	AW	2,335,909.66	7,976.09
Nhleko	NP	954,582.24	-
Sibeko	NJ	919,705.35	15,765.86
Mdakane	S	919,705.35	4,439.76
Khoza	EL	985,572.39	12,821.75
Kunene	M	895,803.58	8,388.34
Ndlovu	MBT	906,930.36	4,826.38
Baker	DL	895,401.07	7,934.86
Naidoo	JK	953,054.82	-
Oliphant	MT	54,384.38	-
Phillips	F	767,672.23	14,139.50
Dladla	HR	711,422.29	-
van Biljon	EH	822,542.11	9,420.01
Odendaal	P E	842,206.81	11,535.80
Volschenk	PN	154,950.90	1,546.52
Nel	MJ	646,936.87	8,857.60
Moss	AF	582,827.71	15,576.98
Mulder	OJH	652,177.11	29,516.53
van Roojen	M	654,436.36	11,399.97
Pullen	WNS	618,967.98	19,890.85
Koekemoer	CM	657,398.40	9,813.36
Mathenjwa	CM	604,600.31	-
Mbatha	SM	603,171.41	5,786.28
Vumba	AP	504,489.09	6,943.90
Renald	H D	600,455.47	8,245.09
Angell-Schau	D L	251,107.86	3,539.71
Cronje	G P	650,226.31	5,571.91
Schutte	J J	654,293.79	8,127.98
Oliver	PM	509,386.50	-
Poswa	ZN	47,676.69	4,734.70
Francis	T E	258,711.14	2,980.68
Hlela	SN	629,521.15	5,632.73
Ngidi	PD	595,927.47	4,354.49
Ngwira	SN	90,085.03	-
Mbhamali	BS	590,578.95	7,342.91
Hariparsad	S	110,694.62	-
Buthelezi	L	185,598.31	-

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

36 RELATED PARTY TRANSACTIONS (continued)

36.2 KEY PERSONNEL EMPLOYEE BENEFIT

		BENEFIT	THIRD PARTY TRANSACTION
		R	R
Marais	RM	619,953.42	5,247.49
Makhubu	GG	231,554.21	-
Kanyile	B	599,882.70	-
Jordan	T	450,576.17	-
Khumalo	RB	99,084.56	-
		25,820,163.13	262,358.03

36.3 COUNCILLORS

		BENEFIT	THIRD PARTY TRANSACTION
		R	R
Mnqayi	AZ	593,375.00	6,124.47
Mbatha	EF	478,120.00	11,433.77
Madlopha	CQ	478,120.00	4,046.45
Harvey	JR	449,305.00	103,610.24
Lourens	M	449,305.00	7,053.56
Mbanjwa	NC	449,305.00	9,395.72
Donda (DR)	NG	380,837.00	-
Mzimela	NB	449,305.00	-
Nxumalo	DA	449,305.00	3,130.01
van Zyl	JL	449,305.00	-
Zikhali	RM	449,305.00	-
Bissoondial	R	183,549.00	-
Buthelezi	MJ	183,549.00	-
Calitz	CF	183,549.00	13,758.60
Cele	NR	183,549.00	2,543.83
Dawood	AS	183,549.00	2,138.40
Dube	EJB	183,549.00	155.58
Fourie	LCM	183,549.00	21,663.59
Fourie (Jnr)	LW	183,549.00	-
Gumbi	NV	183,549.00	2,913.55
Gumede	T N	183,549.00	3,892.28
Gumede	BD	183,549.00	-
Herbert	DM	183,549.00	-
Hlophe	NS	183,549.00	-
Khoza	FG	183,549.00	-
Khuboni	AP	183,549.00	-
Khumalo	LM	183,549.00	-
Madonsela	NE	183,549.00	-
Makatini	MT	183,549.00	-
Mbatha	PT	183,549.00	-
Mbokazi	MM	183,549.00	4,347.08
Mkhize	SG	183,549.00	5,767.86
Mlaba	N	181,082.00	-
Mngomezulu	LP	183,549.00	1,668.43
Mnqayi	MS	183,549.00	-
Mpungose	VRT	183,549.00	-
Mthembu	AH	183,549.00	2,618.75
Mthembu	BM	183,549.00	-
Mthembu	BC	183,549.00	2,418.76

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

36 RELATED PARTY TRANSACTIONS (continued)

36.3 COUNCILLORS

		BENEFIT	THIRD PARTY TRANSACTION
		R	R
Mthethwa	KN	183,549.00	-
Mthiyane	BM	183,549.00	-
Mthiyane	B	119,094.00	-
Mtshali	D	183,549.00	9,740.24
Myeni	MB	183,549.00	-
Ndlela	MWN	13,816.00	219.62
Ndwandwe	GB	183,549.00	-
Ngobese	ND	183,549.00	5,922.82
Nkwanyana	RZ	183,549.00	-
Ntanzi	PM	183,549.00	4,184.79
Ntetha	FF	183,549.00	4,050.89
Shandu	MF	183,549.00	-
Simmadhri	SS	183,549.00	-
Sukreben	K	183,549.00	-
Thusi	NT	183,549.00	-
Tshabalala	CN	183,549.00	-
van der Westhuizen	JC	183,549.00	-
van Huyssteen	RJ	183,549.00	-
Viljoen	A	183,549.00	-
Zulu	SM	183,549.00	-
Zulu	SH	183,549.00	-
Zulu	TL	183,549.00	-
		14,016,382.00	232,799.29

36.4 SCM EMPLOYEES

		BENEFIT	THIRD PARTY TRANSACTION
		R	R
van der Westhuizen	JD	571,090.94	7,745.23
de Jager	E	508,301.21	5,628.97
Singh	V	245,435.79	2,947.64
Kluckow	N	440,364.30	2,436.00
Angell-Schau	DL	251,107.86	3,539.71
Phahla	TN	491,585.48	33,967.23
Thusi	JS	450,628.41	-
Nzimande	SP	544,666.41	5,375.98
Francis	TE	258,711.14	2,980.68
Qulu	S	450,434.93	3,825.02
Masango	Z	599,330.63	3,795.26
Mashita	T	428,252.36	-
Ndawonde	Z	279,244.35	-
Thusini	PST	442,917.55	-
Makhubu	GG	231,554.21	-
Mthethwa	H	253,798.73	2,752.81
Madlala	TB	481,350.71	-
		6,928,775.01	74,994.53

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

37 COMPARISON OF ACTUAL WITH BUDGET

	2010		2010	2010	
	ADJUSTED				
REVENUE	2010 ACTUAL	BUDGET	VARIANCE	VARIANCE (%)	Explanation of significant variance greater than 10% versus budget
Property Rates	150,278,153	146,200,000	4,078,153	3	
Property Rates-Penalties Imposed And Collection Charges	1,628,428	1,400,000	228,428	16	Due to slight increase in rates outstanding the interest charges increased accordingly.
Service Charges	814,674,633	800,368,000	14,306,633	2	
Rental Of Facilities And Equipment	11,180,820	10,334,500	846,320	8	
Interest Earned-External Investments	3,844,950	1,799,600	2,045,350	114	Increased revenue on investments
Interest Earned-Outstanding Debtors	424,381	192,800	231,581	120	Conservative budget figure for interest, however revenue has reduced from previous year.
Fines	2,833,876	2,102,300	731,576	35	Greater emphasis on recovery of fines have contributed to increased revenue.
Licences And Permits	1,842,247	1,792,800	49,447	3	
Income For Agency Services	4,237,976	3,760,800	477,176	13	Increased revenue on vehicle licences.
Government Grants & Subsidies	236,022,744	183,438,700	52,584,044	29	Increased revenue due to grant funding for the stadium.
Public Contributions	175,374	-	175,374	-	
Other Income	113,376,799	31,568,100	81,808,699	259	Increased revenue on extension fees, reconnection fees, skills levies fees and sundry fees
Gains on Sale Of Land	56,578,934	622,000	55,956,934	8,996	Conservative budget figure due to non realisation of revenue for land sales in prior year.
Gains On Disposal Of Property, Plant and Equipment	1,163,608	-	1,163,608	-	
Inter-Departmental Charges	(90,878,639)	-	(90,878,639)	-	
Total Revenue	1,307,384,284	1,183,579,600	123,804,684	10	
EXPENDITURE					
Executive & Council	40,401,506	39,182,400	1,219,106	3	
Corporate Services	137,491,003	129,688,200	7,802,803	6	
Budget & Treasury Office	46,700,476	44,876,900	1,823,576	4	
Planning & Development	14,772,358	14,470,600	301,758	2	
Health	21,370,766	20,590,200	780,566	4	
Community & Social Services	52,246,787	53,512,300	(1,265,513)	(2)	
Housing	8,465,644	9,105,100	(639,456)	(7)	
Public Safety	63,220,386	61,663,700	1,556,686	3	
Sport & Recreation	94,095,248	94,180,700	(85,452)	(0)	
Waste Management	60,629,021	58,690,600	1,938,421	3	
Waste Water Management	129,205,381	80,761,900	48,443,481	60	Over expenditure on overtime, transport and depreciation.
Road Transport	164,169,589	111,266,800	52,902,789	48	Over expenditure on depreciation as result of prior period error and change in estimate
Water	281,692,876	229,543,400	52,149,476	23	Over expenditure on depreciation as result of prior period error and change in estimate
Electricity	708,824,234	703,145,300	5,678,934	1	
Other	132,453	139,500	(7,047)	(5)	
Inter-Departmental Charges	(400,874,973)	(351,051,200)	(49,823,773)	14	Interdepartmental charges reversal at year end.
Total Expenditure	1,422,542,755	1,299,766,400	122,776,355	9	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(115,158,471)	(116,186,800)	1,028,329	1	

APPENDIX A

CITY OF uMHLATHUZE : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2009	Received during the period	Redeemed/ written off during the period	Balance at 30/06/2010	Carrying Value Property, Plant & Equipment R	Other costs in accordance with MFMA
				R	R	R	R		
LONG-TERM LOANS									
Development Bank of SA	12.00%	10593	2018/03/31	5,713,556	-	381,263	5,332,293	763,387	
Development Bank of SA	12.00%	10594	2017/03/31	2,614,133	-	209,933	2,404,200	814,243	
Development Bank of SA	12.00%	10595	2017/03/31	9,814,867	-	788,202	9,026,665	-	
Development Bank of SA	12.00%	10596	2017/03/31	2,283,952	-	183,418	2,100,534	-	
Development Bank of SA	14.50%	10597	2018/03/31	7,179,891	-	427,949	6,751,942	1,646,167	
Development Bank of SA	12.00%	10600	2017/03/31	4,454,381	-	357,718	4,096,663	1,093,596	
Development Bank of SA	12.00%	10601	2017/03/31	2,647,584	-	212,619	2,434,965	81,687	
Development Bank of SA	12.00%	10602	2017/03/31	669,715	-	53,784	615,931	181,909	
				35,378,079	-	2,614,886	32,763,193	4,580,989	-
INCA	13.95%	UMHL	2019/06/30	13,306,999	-	738,920	12,568,079	10,696,002	
Development Bank of SA	16.16%	11665	2010/12/31	690,582	-	442,339	248,243	-	
Standard Bank	*1	357636	31/03/2015	69,219,294	-	8,407,849	60,811,445	62,009,865	
Nedbank	*2	05/7831	30/06/2016	69,534,511	-	7,878,473	61,656,038	27,967,893	
INCA	8.75%		28/06/2019	220,000,000	-	14,528,225	205,471,775	147,267,577	
Development Bank of SA	11.70%	103170	31/12/2018	238,110,832	-	14,758,374	223,352,458	196,602,278	
Development Bank of SA	6.75%	103494	30/06/2019	35,000,000	-	2,550,895	32,449,105	28,086,040	
Development Bank of SA	11.57%	103494	30/06/2019	100,000,000	-	5,733,056	94,266,944	80,245,828	
Nedbank	11.26%	05/7831/2	31/12/2019		188,000,000	4,874,355	183,125,645	173,533,126	
TOTAL EXTERNAL LOANS				781,240,297	188,000,000	62,527,371	906,712,926	730,989,598	-

*1 = JIBAR plus 1.218%

*2 = Prime less 3.249%

APPENDIX B

CITY OF uMHLATHUZE : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation					Accumulated Depreciation				Carrying Value	
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
	R		R	R	R	R	R	R	R		R
Land	559,339,950	-	-	-	495,000	558,844,950	-	-	-	-	558,844,950
	559,339,950	-	-	-	495,000	558,844,950	-	-	-	-	558,844,950
Infrastructure											
Electricity	484,597,032	-	10,247,042	25,257,320	-	520,101,394	156,613,844	23,761,313	-	180,375,157	339,726,237
Roads	3,168,700,261	-	22,135,544	19,072,075	-	3,209,907,880	1,728,553,120	77,674,818	-	1,806,227,938	1,403,679,942
Sewerage	1,244,379,283	-	31,074,674	101,151	-	1,275,555,108	644,790,794	29,393,575	-	674,184,369	601,370,739
Water	3,920,271,776	-	68,978,478	46,189,877	-	4,035,440,131	2,728,520,000	87,990,836	-	2,816,510,836	1,218,929,295
Security Measures	14,499,629	-	115,578	288,222	-	14,903,429	1,407,202	2,744,877	-	4,152,079	10,751,350
Pedestrian Malls	21,007,389	-	671,719	-	-	21,679,108	14,949,517	911,070	-	15,860,587	5,818,521
Airport - Taxiways	360,591	-	-	-	-	360,591	163,452	17,783	-	181,235	179,357
	8,853,815,962	-	133,223,035	90,908,645	-	9,077,947,642	5,274,997,929	222,494,272	-	5,497,492,201	3,580,455,441
Community Assets											
Beach Development	32,142,326	-	(14,694)	164,655	-	32,292,287	7,439,316	1,131,192	-	8,570,508	23,721,778
Cemeteries	6,969,237	-	9,814,272	-	-	16,783,509	1,095,160	801,167	-	1,896,327	14,887,182
Clinics	229,414	-	23,800	-	-	253,214	45,367	11,788	-	57,155	196,059
Community Centres	8,133,044	-	2,555,547	1,100,702	-	11,789,293	4,546,847	514,475	-	5,061,322	6,727,971
Fire Stations	2,018,796	-	565,085	-	-	2,583,881	513,245	77,361	-	590,606	1,993,275
Land Main Investments	54,604,111	-	-	-	-	54,604,111	8,369,063	-	-	8,369,063	46,235,048
Libraries	9,725,324	-	3,785	-	-	9,729,109	5,167,897	369,211	-	5,537,108	4,192,001
Museum	2,221,571	-	-	-	-	2,221,571	812,391	109,557	-	921,948	1,299,623
Parks & Gardens	11,130,149	-	-	-	-	11,130,149	10,568,455	318,126	-	10,886,581	243,568
Public Conveniences	7,999,838	-	-	(4,880)	-	7,994,958	2,706,131	750,873	-	3,457,004	4,537,954
Recreation Facilities	48,456,636	-	2,916,497	98,213	-	51,471,346	16,531,944	2,297,891	-	18,829,835	32,641,511
Stadiums	28,778,782	-	56,466,566	-	-	85,245,348	133,562	289,601	-	423,163	84,822,186
	212,409,228	-	72,330,858	1,358,690	-	286,098,776	57,929,378	6,671,242	-	64,600,620	221,498,157

APPENDIX B (continued)

CITY OF Umhlatuze : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance		Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
	R		R	R	R	R	R	R	R	R
Heritage Assets										
Painting & Art Galleries	49,502	-	-	-	-	49,502	-	-	-	-
	49,502	-	-	-	-	49,502	-	-	-	-
Other Assets										
Bins & Containers	4,832,401	-	-	-	-	4,832,401	2,067,735	511,362	-	2,579,097
Buildings	150,800,840	-	902,823	16,315,535	-	168,019,252	43,053,698	6,959,730	-	50,013,428
Emergency Equipment	133,923	-	171,638	-	-	305,561	56,624	22,210	-	78,834
Furniture & Fittings	8,778,781	8,894	417,580	-	-	9,205,255	4,333,026	1,105,499	-	5,438,525
Housing	62,433,342	-	192,632	10,855,837	-	73,481,810	10,389,446	5,535,457	-	15,924,903
Land Main Investments	68,452,619	-	-	-	-	68,452,620	50,093,252	-	-	50,093,252
Motor Vehicles	96,032,684	-	1,601,096	-	3,872,499	93,761,280	37,183,510	10,010,064	3,840,087	43,353,487
Office Equipment	19,990,867	-	465,897	-	-	20,456,764	10,876,995	3,455,720	-	14,332,715
Plant And Equipment	51,750,467	5,806	4,563,760	-	370,490	55,949,543	18,372,823	6,512,548	370,490	24,514,883
WaterCraft	352,552					352,552	39,340	23,503		62,843
	463,558,475	14,700	8,315,426	27,171,372	4,242,990	494,817,038	176,466,449	34,136,094	4,210,577	206,391,967
Total	10,089,173,117	14,700	213,869,319	119,438,707	4,737,990	10,417,757,908	5,509,393,756	263,301,607	4,210,577	5,768,484,787

APPENDIX C

APPENDIX C

CITY OF uMHLATHUZE : SEGMENTAL ANYALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost					Accumulated Depreciation				Carrying Value	
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
	R		R	R	R	R	R	R	R		R
Budget & Treasury Office	1,580,703		-	-	-	1,580,703	1,174,538	136,339	-	1,310,877	269,825
Community & Social Services	224,558,019		13,307,010	16,603,757	-	254,468,786	76,834,849	9,878,153	-	86,713,002	167,755,784
Corporate Services	752,888,523		2,244,598	1,363,570	4,737,990	751,758,758	64,403,181	18,676,192	4,210,578	78,868,795	672,889,963
Electricity	459,418,797		10,320,762	25,257,320	-	494,996,879	139,623,534	22,868,968	-	162,492,502	332,504,377
Executive & Council	5,222,415		411,688	-	-	5,634,103	641,884	200,051	-	841,935	4,792,168
Health	934,304		-	-	-	934,304	659,317	74,060	-	733,377	200,927
Housing	62,433,342		192,632	10,855,837	-	73,481,810	10,389,446	5,535,457	-	15,924,903	57,556,907
Other	-	14,700	-	-	-	14,700	-	-	-	-	14,700
Planning & Development	5,214,036		-	-	-	5,214,036	4,434,326	66,293	-	4,500,619	713,417
Public Safety	27,477,481		673,434	69,154	-	28,220,069	9,528,523	1,908,363	-	11,436,886	16,783,183
Road Transport	3,177,308,713		22,989,267	19,002,921	-	3,219,300,901	1,759,742,153	76,662,926	-	1,836,405,079	1,382,895,822
Sport & Recreation	134,606,868		59,368,368	-	-	193,975,236	37,212,210	5,359,148	-	42,571,358	151,403,878
Waste Management	13,290,708		-	-	-	13,290,708	3,456,733	809,859	-	4,266,592	9,024,116
Waste Water Management	1,180,032,739		31,203,929	96,271	-	1,211,332,939	629,041,417	27,414,330	-	656,455,747	554,877,192
Water	4,044,206,472		73,157,632	46,189,877	-	4,163,553,981	2,772,251,644	93,711,471	-	2,865,963,119	1,297,590,862
Total	10,089,173,118	14,700	213,869,320	119,438,707	4,737,990	10,417,757,912	5,509,393,755	263,301,610	4,210,578	5,768,484,791	4,649,273,121

APPENDIX D

CITY OF uMHLATHUZE: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/(Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/(Deficit) R
60,088	34,646,386	(34,586,298)	Executive & Council	275,649	40,401,506	(40,125,857)
22,855,171	136,284,997	(113,429,826)	Corporate Services	64,820,836	137,491,003	(72,670,167)
209,589,074	22,404,335	187,184,739	Budget & Treasury Office	242,875,976	46,700,476	196,175,500
1,094,759	17,303,216	(16,208,457)	Planning & Development	1,303,369	14,772,358	(13,468,989)
6,835,604	23,597,583	(16,761,979)	Health	5,757,495	21,370,766	(15,613,271)
4,568,533	53,157,780	(48,589,247)	Community & Social Services	4,280,063	52,246,787	(47,966,724)
7,910,890	8,268,725	(357,835)	Housing	10,125,071	8,465,644	1,659,427
4,910,603	62,555,381	(57,644,778)	Public Safety	4,077,977	63,220,386	(59,142,409)
10,572,961	93,733,737	(83,160,776)	Sport & Recreation	59,948,622	94,095,248	(34,146,626)
41,395,707	57,661,025	(16,265,318)	Waste Management	45,261,579	60,629,021	(15,367,442)
71,624,975	75,841,227	(4,216,252)	Waste Water Management	88,373,222	129,205,381	(40,832,159)
6,514,107	122,194,491	(115,680,384)	Road Transport	7,364,508	164,169,589	(156,805,081)
215,718,917	224,433,143	(8,714,226)	Water	234,859,287	281,692,876	(46,833,589)
487,597,697	542,706,815	(55,109,118)	Electricity	628,435,058	708,824,234	(80,389,176)
489,889	132,418	357,471	Other	504,212	132,453	371,759
1,091,738,975	1,474,921,259	(383,182,284)	Sub Total	1,398,262,924	1,823,417,728	(425,154,804)
(79,133,465)	(242,606,450)	163,472,985	Less: Inter- Dep Charges	(90,878,639)	(400,874,972)	309,996,333
1,012,605,510	1,232,314,809	(219,709,299)	Total	1,307,384,285	1,422,542,756	(115,158,471)

APPENDIX E(1)

CITY OF uMHLATHUZE : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

REVENUE	2010			2010 VARIANCE (%)	Explanation of significant variance greater than 10% versus budget
	2010 ACTUAL	ADJUSTED BUDGET	2010 VARIANCE		
Property Rates	150,278,153	146,200,000	4,078,153	3	
Property Rates-Penalties Imposed And Collection Charges	1,628,428	1,400,000	228,428	16	Due to slight increase in rates outstanding the interest charges increased accordingly.
Service Charges	814,674,633	800,368,000	14,306,633	2	
Rental Of Facilities And Equipment	11,180,820	10,334,500	846,320	8	
Interest Earned-External Investments	3,844,950	1,799,600	2,045,350	114	Increased revenue on investments
Interest Earned-Outstanding Debtors	424,381	192,800	231,581	120	Conservative budget figure for interest, however revenue has reduced from previous year.
Fines	2,833,876	2,102,300	731,576	35	Greater emphasis on recovery of fines have contributed to increased revenue.
Licences And Permits	1,842,247	1,792,800	49,447	3	
Income For Agency Services	4,237,976	3,760,800	477,176	13	Increased revenue on vehicle licences.
Government Grants & Subsidies	236,022,744	183,438,700	52,584,044	29	Increased revenue due to grant funding for the stadium.
Public Contributions	175,374	-	175,374	-	
Other Income	113,376,799	31,568,100	81,808,699	259	Increased revenue on extension fees, reconnection fees, skills levies fees and sundry fees
Gains on Sale Of Land	56,578,934	622,000	55,956,934	8,996	Conservative budget figure due to non realisation of revenue for land sales in prior year.
Gains On Disposal Of Property, Plant and Equipment	1,163,608	-	1,163,608	-	
Inter-Departmental Charges	(90,878,639)	-	(90,878,639)	-	
Total Revenue	1,307,384,284	1,183,579,600	123,804,684	10	
EXPENDITURE					
Executive & Council	40,401,506	39,182,400	1,219,106	3	
Corporate Services	137,491,003	129,688,200	7,802,803	6	
Budget & Treasury Office	46,700,476	44,876,900	1,823,576	4	
Planning & Development	14,772,358	14,470,600	301,758	2	
Health	21,370,766	20,590,200	780,566	4	
Community & Social Services	52,246,787	53,512,300	(1,265,513)	(2)	
Housing	8,465,644	9,105,100	(639,456)	(7)	
Public Safety	63,220,386	61,663,700	1,556,686	3	
Sport & Recreation	94,095,248	94,180,700	(85,452)	(0)	
Waste Management	60,629,021	58,690,600	1,938,421	3	
Waste Water Management	129,205,381	80,761,900	48,443,481	60	Over expenditure on overtime, transport and depreciation.
Road Transport	164,169,589	111,266,800	52,902,789	48	
Water	281,692,876	229,543,400	52,149,476	23	
Electricity	708,824,234	703,145,300	5,678,934	1	
Other	132,453	139,500	(7,047)	(5)	
Inter-Departmental Charges	(400,874,973)	(351,051,200)	(49,823,773)	14	Interdepartmental charges reversal at year end.
Total Expenditure	1,422,542,755	1,299,766,400	122,776,355	9	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(115,158,471)	(116,186,800)	1,028,329	1	

APPENDIX E(2)

CITY OF uMHLATHUZE : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	<u>2010 ACTUAL R</u>	<u>2010 UNDER CONSTRUCTION R</u>	<u>2010 TOTAL ADDITIONS R</u>	<u>2010 ADJUSTED BUDGET R</u>	<u>2010 VARIANCE R</u>	<u>2010 VARIANCE %</u>	<u>Explanation of significant variances greater than 5% versus budget (Explanations To Be Recorded)</u>
Budget & Treasury Office	-	-	-	-	-	-	
Community & Social Services	13,307,010	16,603,757	29,910,767	27,964,700	1,946,067	7	Over expenditure resulting from construction to city library and related borrowing costs capitalised.
Corporate Services	5,541,165	1,363,570	6,904,735	6,255,500	649,235	10	Savings incurred due to Mandlazini Agr Village. Marina Development, Central Industrial Area, CBD Extension South of Guldengracht being carry over projects to the 2010/2011 Financial Year.
Electricity	10,320,762	25,257,320	35,578,082	51,981,400	(16,403,318)	(32)	Savings realised on the Hercules Replacement of 11 KV Switchboard. 132KV Supply to Cygnus Substation, IDT Area-Ngwelezane, Phoenix supply to Alton Phase 1 have been carried over to the 2010/2011 financial year.
Executive & Council	411,688	-	411,688	550,000	(138,312)	(25)	Savings realised on Office Furniture.
Health	-	-	-	-	-	-	
Housing	192,632	10,855,837	11,048,468	8,600,000	2,448,468	28	Additional Expenditure incurred for the Esikhaleni Hostels.
Other	-	-	-	-	-	-	
Planning & Development	-	-	-	-	-	-	
Public Safety	673,434	69,154	742,587	944,100	(201,513)	(21)	Richards bay Taxi City has been identified as a carry over project to the 2010/2011 financial year. MR231 to Nseleni/N2 interchange for streetlighting as goods received note cancelled from the previous year.
Road Transport	22,989,267	19,002,921	41,992,188	46,575,365	(4,583,177)	(10)	Savings incurred as a result from the Main Road Doubling and the uMhlathuze Village bus route. East Central Arterial John Ross to Saligna has been carried over to 2010/2011 financial year.
Sport & Recreation	59,368,368	-	59,368,368	2,703,900	56,664,468	2,096	Stadium Phase 1 was completed and therefore handed over to the City of uMhlathuze by Uthungulu District Municipality.
Waste Management	-	-	-	-	-	-	
Waste Water Management	31,191,334	96,271	31,287,605	28,780,234	2,507,371	9	Mkhwanazi North sanitation overspent by R4,4m. Rural Sanitation overspent by R1,7m due to an outstanding claim from MIG.
Water	73,116,507	46,189,877	119,306,384	107,695,520	11,610,864	11	Rural water overspent by R1,5m due to outstanding claim from MIG. Rural Water Counter funding due to delays at the MIG National Office approving funds for the Madlebe Phase 3C, Council utilised Counter funding. Expenditure to be claimed back from MIG. However Council is awaiting MIG approval for the project and than the expenditure will be recovered.
Total	217,112,166	119,438,707	336,550,873	282,050,719	54,500,154	19	

APPENDIX F

CITY OF uMHLATHUZE

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grants	Name of organ of state	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed/withheld					Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2009	Dec 2009	Mar 2010	June 2010	Total 2009/2010 as per AFS	Sept 2009	Dec 2009	Mar 2010	June 2010	Total 2009/2010 as per AFS	Sept 2009	Dec 2009	Mar 2010	June 2010	Total 2009/2010 as per AFS			
Museum Subsidy	KZN - Dept of Education & Culture	-	-	76,198	-	76,198	211,708	198,026	213,413	419,519	1,042,666	-	-	-	-	-	None	Yes	
Primary Health Subsidy	KZN - Dept of Health	1,021,500	1,283,500	1,021,500	1,021,500	4,348,000	3,438,410	3,616,703	2,713,756	4,458,255	14,227,124	-	-	-	-	-	None	Yes	
Esikhawini Hostel Refurbishment	KZN - Dept of Housing	-	-	-	821,132	821,132	2,641,936	2,550,966	1,361,158	1,822,086	8,376,146	-	-	-	-	-	None	Yes	
Infrastructural Grants	KZN - Dept of Library Services	-	-	-	-	-	-	-	-	2,869	2,869	-	-	-	-	-	None	Yes	
Electrical costs - Libraries	KZN - Dept of Arts & Culture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes	
Public Internet access - libraries	KZN - Dept of Arts & Culture	360,000	-	-	-	360,000	93,070	128,991	128,009	129,276	479,346	-	-	-	-	-	None	Yes	
Head Count Systems - Libraries	KZN - Dept of Arts & Culture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes	
Community Development Workers Programme	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	-	-	-	1,272	9,170	10,442	-	-	-	-	-	None	Yes	

APPENDIX F

CITY OF uMHLATHUZE

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)

Grants and Subsidies Received

Name of Grants	Name of organ of state	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed/withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2009	Dec 2009	Mar 2010	June 2010	Total 2009/2010 as per AFS	Sept 2009	Dec 2009	Mar 2010	June 2010	Total 2009/2010 as per AFS	Sept 2009	Dec 2009	Mar 2010	June 2010	Total 2009/2010 as per AFS			
Remote Water Reading System	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	-	39,720	-	160,560	-	200,280	-	-	-	-	-	-	-	-
Technical Support Grant	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	-	-	154,367	64,913	206,089	425,370	-	-	-	-	-	-	-	-
Corridor Development	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	1,000,000	-	-	-	-	135,160	135,160	-	-	-	-	-	-	-	-
Upgrade of Vulindlela Sports Facility	KZN - Dept of Sport & Recreation	-	-	-	-	-	-	-	-	4,006	4,006	-	-	-	-	-	None	Yes	-
Land Use Management	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	-	-	27,374	-	-	27,374	-	-	-	-	-	None	Yes	-
Refurbishment of Pumpstation Grant	Nat - Dept of Water Affairs	-	-	-	-	-	427,561	1,157,809	-	-	1,585,370	-	-	-	-	-	None	Yes	-
Institutional Support	Nat - Dept of Water Affairs	-	-	-	-	-	-	-	-	23,452	23,452	-	-	-	-	-	None	Yes	-
Institutional Support (Water conservation and demand management project)	Nat - Dept of Water Affairs	-	-	1,000,000	-	1,000,000	-	241	-	-	241	-	-	-	-	-	None	Yes	-
Cleanest Town Award	Nat - Dept of Water Affairs	-	-	500,000	-	500,000	-	-	-	27,709	27,709	-	-	-	-	-	None	Yes	-

APPENDIX F

CITY OF uMHLATHUZE

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)

Grants and Subsidies Received

Name of Grants	Name of organ of state	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed/withheld					Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2009	Dec 2009	Mar 2010	June 2010	Total 2009/2010 as per AFS	Sept 2009	Dec 2009	Mar 2010	June 2010	Total 2009/2010 as per AFS	Sept 2009	Dec 2009	Mar 2010	June 2010	Total 2009/2010 as per AFS			
Municipal Infrastructure Grant	National Treasury	15,600,000	14,025,000	4,263,000	36,560,000	70,448,000	18,368,096	11,397,684	1,856,758	14,318,409	45,940,948	-	-	-	-	-	None	Yes	
Financial Management Grant	National Treasury	750,000	-	-	-	750,000	495,929	323,418	356,784	366,599	1,542,730	-	-	-	-	-	None	Yes	
Restructuring Grant	National Treasury	-	-	-	-	-	31	19,200	157,789	59,853	236,873	-	-	-	-	-	None	Yes	
Municipal Systems Improvement Grant (MSG)	National Treasury	400,000	-	-	-	400,000	121,453	-	-	151,046	272,499	-	-	-	-	-	None	Yes	
Equitable Share	National Treasury	46,600,221	37,280,177	31,246,782	-	115,127,180	-	-	-	-	-	-	-	-	-	-	None	Yes	
Electrification	Nat - Dept of Minerals & Energy	-	-	3,950,000	-	3,950,000	-	-	-	(1,421,437)	(1,421,437)	-	-	-	-	-	None	Yes	
Management of Cemetry	uThungulu District Municipality	168,222	206,197	198,731	240,823	813,973	168,222	206,197	198,731	240,823	813,973	-	-	-	-	-	None	Yes	
Museum Subsidy	uThungulu District Municipality	-	-	-	-	-	-	-	5,707	-	5,707	-	-	-	-	-	None	Yes	
Capacity Building	uThungulu District Municipality	-	-	-	-	-	-	-	-	(3,675)	(3,675)	-	-	-	-	-	None	Yes	
Contribution to 2010 Stadium	uThungulu District Municipality	-	-	-	56,466,566	56,466,566	-	-	-	56,466,566	56,466,566	-	-	-	-	-	None	Yes	
Environmental Health Services	uThungulu District Municipality	-	-	1,319,418	-	1,319,418	1,995,239	1,570,947	1,751,193	1,932,660	7,250,040	-	-	-	-	-	None	Yes	

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UMHLATHUZE MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the uMhlathuze Municipality, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages XX to XX.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of GRAP 1: *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the uMhlathuze municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uMhlathuze Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended in accordance with S A Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

10. As disclosed in note 32 to the financial statements, the corresponding figures for the year ended 30 June 2009 have been restated as a result of errors discovered during the year ended 30 June 2010.

Material losses

11. As disclosed in note 25 to the financial statements, material water losses to the amount of R10,578 million were incurred as a result of illegal connections, rural areas not yet connected to the billing system and operational usage.

Additional matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

13. The supplementary information set out on pages **XX** to **XX** does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations and financial management (internal control).

Local Government: Municipal Finance Management Act of South Africa, No.56 of 2003

Local Government: Municipal Systems Act of South Africa, No. 32 of 2000 (MSA)

Predetermined objectives

15. Material findings on the report on predetermined objectives, as set out on pages **XX** to **XX** are reported below:

Usefulness of information

16. The following criteria were used to assess the usefulness of the planned and reported performance:

- **Consistency:** Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- **Relevance:** Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- **Measurability:** Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Inadequate content of integrated development plan

17. The integrated development plan of the uMhlathuze Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

Measures taken to improve performance not reported

18. Planned measures for improvement documented in the annual performance report submitted for audit were not clear, to allow for data to be collected consistently

Reliability of information

19. The following criteria were used to assess the reliability of the planned and reported performance:
 - **Validity:** Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?
 - **Accuracy:** Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
 - **Completeness:** All actual results and events that should have been recorded have been included in the reported performance information.

The following audit findings relates to the above criteria.

Inadequately documented Organisational Performance Management Ssystem

20. The Organisational Performance Management System of the municipality is not adequately documented in terms of S38(a) of the MSA and the process for preparing the annual performance report is not being followed to provide an audit trail with respect to achieved targets and source documents to verify validity, accuracy and completeness.

Internal auditing of performance measurements

21. The internal audit processes and procedures did not include assessment of the functionality of the organisational performance management system in accordance with S 45(a) of the MSA and whether the system complied with the requirements of the MSA.

22. The internal audit processes and procedures did not include assessment of the extent to which the organisation's performance measurements were reliable in measuring the performance of the municipality on key performance indicators.

Compliance with laws and regulations

Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)

Declarations of councillors

23. Contrary to the Code of conduct for councillors as per Schedule 1, S 5(1) (a) of the MSA, certain councillors did not disclose to the municipal council, to any committee of which that councillor is a member, any direct or indirect personal or private business interest that the councillor, or any spouse, partner or business associate of that councillor may have in any matter before the council or the committee. No declarations were provided covering the year under review in this regard.

Internal control

24. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, and MSA but not for the purpose of expressing an opinion on the effectiveness of internal control.
25. The matters reported below are limited to the significant deficiencies regarding the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

26. The accounting officer has not exercised adequate oversight responsibility and taken adequate steps to mitigate risks over financial reporting, compliance with the MSA and the report on predetermined objectives.

Financial and performance management

27. Pertinent information was not identified and captured in a form to support financial and performance reporting. The financial statements and predetermined objectives were subject to material amendments resulting from the audit.

Governance

28. Internal audit did not fulfil its responsibilities as set out in legislation with regard to review and reporting on organisational predetermined objectives.

OTHER REPORTS

Investigations in progress

29. Investigations are in progress both internally and by the Department of Co-operative Governance and Traditional affairs into various alleged irregularities by certain municipal officials.

Auditor - General

Pietermaritzburg

30 November 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

MANAGEMENT COMMENTS ON AUDIT REPORT

Management comments and corrective action to be instituted on the matters raised in the report of the Auditor General to the Council on the Financial Statements of the city of uMhlathuze for the year ended 30 June 2010 in terms of Section 121(3)(g) of the Municipal Finance Management Act, no 56 of 2003.

The unqualified audit report contains certain issues for which comments are provided below, where relevant. The paragraph references correspond with the reference in the Audit Report. Paragraphs, for which no comments are required, were noted.

PARAGRAPH 10: RESTATEMENT OF CORRESPONDING FIGURES

This matter was as a result of changes in accounting policy, change in accounting estimates and reclassification, which affected the prior year results.

PARAGRAPH 11: MATERIAL LOSSES

The material losses relate to water to the amount of R10, 578 million as a result of illegal connections, rural areas not yet connected to the billing system and operational usage. It must be noted though that the Municipality has made some progress in reducing water losses; comparatively the reduction was 15% (R1, 920 million of R12, 498million) from the year ending 30 June 2009. The Municipality currently has a plan in place that is being implemented in order to curb water losses within available resources.

PARAGRAPH 13: UNAUDITED SUPPLEMENTARY SCHEDULES

Comments noted.

PARAGRAPH 17: INADEQUATE CONTENT OF THE IDP

The municipality is busy with the adoption of the newly developed prescribed format by CoGTA that will ensure adherence to the alignment of the IDP and OPMS, including performance indicators and targets.

PARAGRAPH 18: MEASURES TAKEN TO IMPROVE PERFORMANCE NOT REPORTED

Specific measures have been developed to address this issue inter alia by the creation of internal capacity within the Municipality to deal with Performance Management functions.

PARAGRAPH 20: INADEQUATE DOCUMENTED ORGANIZATIONAL PERFORMANCE MANAGEMENT SYSTEM

Specific measures have been developed to address this issue inter alia by the creation of internal capacity within the Municipality to deal with Performance Management functions.

PARAGRAPH 21 & 22: INTERNAL AUDIT OF PERFORMANCE MEASUREMENTS

Comment acknowledged, however for the 2010/11 financial year management has engaged with the internal auditors to ensure that Sec 45(a) of the Municipal Systems Act is taken into account when assessing the organizational performance of the Municipality.

PARAGRAPH 23: DECLARATION OF COUNCILORS

Comment acknowledged as 15 out of 60 councillors did not submit their declaration forms and the other 45 did submit their declaration forms. However, the forms were not endorsed by a commissioner of oaths. Management have subsequently got all councillors to declare their interest for the 2009/2010 financial year. Management will in future ensure that all councillors declare their interest to Council as envisaged by the Municipal Systems Act.

PARAGRAPH 26: LEADERSHIP

Comment noted, however we do not agree with the statement that there has been no adequate oversight responsibility and steps taken to mitigate risks over financial reporting. There are monthly and quarterly reports being submitted to the Executive committee and Audit committee members for oversight and monitoring of progress. Management does agree with the auditors on the performance management and reporting on predetermined objectives as a matter that requires some improvement. More effort is put into the 2010/11 PMS and evidently the creation of internal capacity within the Municipality to deal with Performance Management functions.

PARAGRAPH 27: FINANCIAL AND PERFORMANCE MANAGEMENT

Comment noted. The Financial Statements were amended as a result of technical recommendations made by the auditors and agreed upon by management. Some of those were GRAP interpretation and with the assistance of the ASB's frequently asked questions the statements were amended accordingly.

PARAGRAPH 28: GOVERNANCE

Comment noted, however for the 2010/11 financial year management has engaged with the internal auditors to ensure that predetermined objectives are reported on.

PARAGRAPH 29: INVESTIGATIONS

Comment noted, the investigations are ongoing.